SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1943

No. 767

THE INTERSTATE COMMERCE COMMISSION AND HUDSON & MANHATTAN RAILROAD COMPANY, APPELLANTS,

vs.

THE CITY OF JERSEY CITY, FRED M. VINSON, STABILIZATION DIRECTOR BY CHESTER BOWLES, PRICE ADMINISTRATOR

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE DISTRICT OF NEW JERSEY

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[fol. 1]

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY

CITY OF JERSEY CITY, Plaintiff,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, and HUDSON & MANHATTAN RAILROAD COMPANY, Defendants

COMPLAINT—Filed September 13, 1943

Plaintiff, The City of Jersey City, brings this action against the United States of America, the Interstate Commerce Commisison (hereinafter sometimes called the Commission), and Hudson & Manhattan Railroad Company (hereinafter sometimes called the Railroad), for the purpose of enjoining, setting aside and annulling an order of the Commission decided August 3, 1943, in the proceedings entitled "Investigation and Suspension Docket No. 4394, Passenger Fares of Hudson & Manhattan Railroad Company", and alleges:

1. The jurisdiction of this Court over this action is under and pursuant to the provisions of Sections 41, subdivision (28), and Sections 43 to 48, inclusive, of Title 28 of the United States Code.

2. Plaintiff is a municipal corporation in the County of Hudson and State of New Jersey, and is a body politic. The matter covered by said order of the Commission arose in the District of New Jersey.

3. The defendant, United States of America, is sued pursuant to express authority of the Congress of the United States, as provided in Sections 43 to 48 of Title 28 of the United States Code.

The defendant, Interstate Commerce Commission, is an administrative commission existing under and by virtue of the Interstate Commerce Act, United States Code, Title 49, and is specifically charged with the administration and enforcement of the provisions of said act.

The defendant, Hudson & Manhattan Railroad Company is a common carrier by railroad engaged in the transporta-

tion of passengers in interstate commerce, subject to the provisions of the Interstate Commerce Act, United States Code, Title 49, Chapter I, part I, except those provisions which by their terms are not applicable to the interurban electric railway operated by the Hudson & Manhattan Railroad Company, and the order, hereinafter complained of, permits this railroad to increase its fares.

4. The defendant, Hudson & Manhattan Railroad Company, is a consolidated corporation organized and existing under and pursuant to the laws of the States of New York and New Jersey, having a residence and its statutory office in the District of New Jersey. The railroad transports passengers only, and does not transport baggage, freight or express matter.

5. The railroad properties consist of an underground rapid transit passenger railway, furnishing transportation facilities between points in uptown and downtown New York City and points in Jersey City and Hoboken, New Jersey. The railroad operates its trains in two services, commonly referred to as the downtown line and the uptown line.

On the downtown line the trains operate (a) between the downtown terminal at Hudson Terminal, New York City, on the one hand, and on the other the New Jersey [fol. 2] stations of Exchange Place, Grove and Henderson Streets and Journal Square, and (b) between the downtown terminal at Hudson Terminal on the one hand, and on the other the New Jersey stations located at Exchange Place, Erie Station and Hoboken.

On the uptown line the trains operate (a) between the New Jersey stations of Hoboken on the one hand, and on the other New York City stations of Christopher Street, 9th Street, 14th Street, 19th Street, 23rd Street and 33rd Street and (b) between the New Jersey stations at Journal Square, Grove and Henderson Streets and Erie Station, one the one hand, and on the other the New York City stations located at Christopher Street, 9th Street, 14th Street, 19th Street, 23rd Street and 33rd Street.

The railroad also operates, in conjunction with the Pennsylvania Railroad, a joint rapid transit electric train service between the downtown terminal at Hudson Terminal, New York, and the station of the Pennsylvania Railroad at Market Street, Newark, New Jersey. The trains in this

joint service operate over the lines of the railroad between the downtown terminal, Hudson Terminal at New York City, and the Journal Square station, Jersey City, and from that point over a line owned by the Pennsylvania Railroad to the latter's station at Market Street, Newark, New Jersey.

6. On July 31, 1937, the railroad issued, published and filed, with the Commission, its local passenger tariff designated as I. C. C. No. 42, to become effective September 1, 1937, providing for the establishment of a fare of ten cents for the interstate transportation of passengers on the railroad's downtown line as aforesaid, in lieu of a fare of six cents previously published and maintained in force and effect. Said tariff provided for no changes in the fare then in effect for interstate transportation on the uptown line previously and then established at ten cents.

As a result of protests filed by plaintiff and others in New Jersey the effectiveness of the aforesaid tariff was suspended and the lawfulness of the proposed increase in the downtown fare was made the subject matter of a proceeding instituted by the Interstate Commerce Commission in Investigation and Suspension Docket No. 4394.

7. After due hearing the Commission found, 227 I. C. C. 741, that the proposed increase from six cents to ten cents in the passenger fare maintained by the railroad on its downtown line had not been justified, but that an eight cent fare had been justified. A fare of eight cents on the downtown line became effective July 25, 1938, and has since been maintained. The Commission in its original report and order, 227 I. C. C. 741 made three paramount findngs:

(1) "From the standpoint of the cost of the service to respondent, therefore, as well as of the value of the service to the passenger, it would seem that if ten cents is a maximum reasonable fare for the uptown service, the reasonable fare for the downtown service must be something less than ten cents." 227 I. C. C. 741, 754.

(2) "If respondent should feel impelled to seek a further increase in revenue it should consider doing so on interline traffic." 227 I. C. C. 741, 762.

(3) "The proposed fare of ten cents would be unreasonable under the Act and has not been justified." 227 I. C. C. 741, 762.

8. Following the promulgation of the report and order, 227 I. C. C. 741, as aforesaid, the railroad company appealed to the courts to enjoin the same. It filed its bill in the Southern District of New York seeking to enjoin the order of the Commission, but said action was dismissed by the District Court of the Southern District of New York because of improper venue, the court holding that proper venue was in the District of New Jersey, *Hudson & M. R. Co.* v. *U. S.*, 28 Fed. Supp. 137. Thereupon the railroad company filed its bill in the United States District Court [fol. 3] for the District of New Jersey. The order of the Commission accompanying the original report was upheld by the United States District Court, for the District of New Jersey, *Hudson & M. R. Co.* v. *United States*, 33 Fed. Supp. 495, which was affirmed by the Supreme Court, *Hudson & Manhattan R. Co.* v. *U. S.*, 313 U. S. 98.

9. Upon petition of the railroad of July 27, 1942, for further hearing and for leave to publish and charge a ten cent fare on the downtown line by reason of alleged changed conditions, the proceeding was reopened for further hearing by the Interstate Commerce Commission. Such further hearing was held and as a result thereof the Commission issued its decision on June 8, 1943, 255 I. C. C. 649, affirming its original conclusion that the proposed fare of ten cents would be unjust and unreasonable and has not been justified. The Commission further concluded that an increased local fare of nine cents on the railroad's downtown line had been justified for application during the remaining period of the war and six months after its termination.

10. In promulgating its report and order of June 8, 1943, as aforesaid, the Commission made the following specific findings:

> (1) "That under normal circumstances the saturation point in increased fares (referring to the eight cent fare) on that traffic (downtown) has about been reached."
>
> (2) "If respondent (railroad) had availed itself of the authority granted by our order of January 21, 1942, in *Increased Railway Rates, Fares, and Charges, 1942, supra*, the downtown fare would now be nine cents. An increase to that amount would be consistent with that decision."

(3) "While there can be little doubt that under present conditions further increase in this (eight cent) fare, even to ten cents, would result in additional net revenue, we are convinced that it would be unreasonable to expect the entire burden of the revenue increase to be borne by the downtown local passengers, and that a substantial portion thereof should be sought through increased divisions on the interline traffic."

11. The railroad on July 8, 1943, filed a petition for reconsideration and modification of the findings made by the Commission in its report on further hearing, dated June 8, 1943. That petition sought, through the medium of an affidavit attached thereto and made a part thereof, to secure modification of the Commission's order because of an alleged disability on the part of the railroad to collect the nine cent fare on the downtown line with its available fare collection system. By this petition the railroad sought, pending the procurement of tokens which were to be sold at eleven for one dollar with an alternative cash fare of one dime, that it be authorized to charge, on the downtown line, a cash fare of ten cents. Such cash fare of ten cents was to continue in effect indefinitely until necessary tokens were acquired and alterations were made in the fare collection boxes. In connection therewith the railroad proposed that if its request were granted it would reduce the fare on the uptown line from ten cents per passenger to eleven tokens for one dollar, with an alternative cash fare payable only by a dime.

12. The plaintiff, on July 14, 1943, replied to the railroad's petition and in requesting denial thereof prayed that if any affirmative action be taken by the Commission, the proceeding be set for further hearing to give all parties their requisite day in Court on the new matters herein alleged and thereby afford the plaintiff its right of cross-examination.

13. On August 3, 1943, upon the facts as aforesaid, without according the parties further hearing, the Commission issued its report on reconsideration. Such report affirmed the prior conclusion that the proposed fare of ten cents had not been justified for general application on the downtown line but permitted an increased local fare on the [fol. 4] downtown line based on the alternative basis of

eleven tokens for one dollar or a cash fare of ten cents, payable by a dime. Such permissive increase was coupled with the proviso that contemporaneously with the establishment and maintenance of the increased downtown fare the same alternative basis, namely, eleven tokens for one dollar or a cash fare of ten cents, payable by a dime, be established and maintained on interstate traffic on the uptown line.

14. In so providing for increased fares on the downtown line whereby the regular patron or so called commutation passenger would be required to pay nine and one-eleventh cents per ride, and the occasional rider ten cents per ride in lieu of the nine cent fare theretofore found to be the reasonable maximum figure, the Commission in its report and order of August 3, 1943, stated:

> "The proposed alternatve basis will not increase to any material extent the relative transportation burden of the local commuters on the downtown line beyond that anticipated by our authority as granted in the prior report. We there found that it would be unreasonable to expect the entire burden of the revenue increase to which respondent is entitled to be borne by the downtown local passengers, and that a substantial portion thereof, for the reasons therein stated, should be sought through increased divisions on the traffic interchanged with the Pennsylvania Railroad Company. In its petition respondent states that it will undertake to seek promptly such increased divisions on that traffic as shall be adequate."

15. In the original report and order of the Commission, 277 I. C. C. 471, the Commission found that if the railroad "should feel impelled to seek a further increase in revenue (over and above an eight cent downtown fare therein prescribed) it should consider doing so on interline traffic." The Commission's decision containing such admonition was upheld by the District Court for the District of New Jersey, *Hudson & M. R. Co.* v. *U. S.*, *supra*, and affirmed by the Supreme Court of the United States, *Hudson & Manhattan R. Co.* v. *U. S.*, *supra*. A similar directive to the railroad to increase its revenue through an adjustment of its interline division with the Pennsylvania Railroad appeared in the Commission's report and order of June 8,

1943, 255 I. C. C. 649, and again in its report and order of August 3, 1943.

16. To the extent that the Commission permits the railroad to deliberately disregard the directive, contained in all of the reports and orders, as aforesaid, requiring the railroad to increase its revenues through proper adjustments of interline accounting with the Pennsylvania Railroad, and in lieu thereof permits increases in the local downtown fare notwithstanding the Commission's own statement, "that it would be unreasonable to expect the entire burden of the revenue increase to which respondent is entitled to be borne by the downtown local passengers," the Commission acts arbitrarily, disregards the evidence, and transcends the authority vested in it in the administration of the Act.

17. It is apparent that the Commission, in authorizing local downtown fares in excess of the nine cent fare stated to be the reasonable maximum charge in the report and order of June 8, 1943, 255 I. C. C. 649, does so wholly because of an alleged carrier disability. As to such alleged carrier disability the plaintiff herein has been deprived of its full day in Court by not having been given an opportunity to cross-examine witnesses, refute and otherwise present counter evidence, and the order was entered without due process of law. To the extent that the Commission considered such matters in this regard, it acted arbitrarily and beyond the realms of proper judicial procedure.

[fol. 5] 18. To the extent that the Commission relegates the right of the passenger to a reasonable fare to a position subordinate to an alleged carrier disability, the Commission disregards established law, that every passenger is entitled to a reasonable fare. The carrier's disability does not justify the assessment of unreasonable fares or charges.

19. It is evident that the Commission, in part, justifies the increased downtown fare by the reduction in the uptown fare from ten cents to eleven tokens for a dollar or in the alternative a ten cent fare payable only by a dime. In so doing the Commission commits grievous error of law. A passenger is entitled to a reasonable fare over any branch or line of the service, irrespective of the fares or level of fares on other services thereof.

20. In requiring the establishment of an uptown fare of eleven tokens for one dollar or in the alternative a cash fare of ten cents payable only by a dime and permitting the establishment of the same fare on the downtown line the Commission wholly and completely disregards the evidence and facts of record by which it arrived at the conclusion that:

> "From the standpoint of the cost of the service to respondent, therefore, as well as of the value of the service to the passenger, it would seem that if ten cents is a maximum reasonable fare for the uptown service, the reasonable fare for the downtown service must be something less than ten cents"

and in so doing the Commission disregards and overrules the Supreme Court of the United States, *Hudson & Manhattan R. Co.* v. *U. S.*, 313 U. S. 98.

21. The basic findings of the Commission in its report and order of August 3, 1943, are unsupported by any probative evidence of record. Such basic findings flow from the acceptance of the carrier contention of alleged disability. However, even assuming that the facts were properly and judiciously in evidence, they are inadequate, as a matter of law, to support the Commission's ultimate findings. A fare in excess of nine cents, theretofore found to be unreasonable does not *ipso facto* become reasonable and proper because of a carrier disability.

22. In view of all of the facts hereinbefore set forth the order of the Commission of August 3, 1943, was arbitrary and capricious without foundation in law, based upon errors of law, and without adequate findings or any evidence to support them and contrary to the evidence of record, and in violation of the Interstate Commerce Act, and in violation of the specific interpretations of the governing law, made by the Federal Courts, including the United States Supreme Court, and accordingly the Commission acted in so arbitrary and unreasonable a manner as to render its order, although within the form of its delegated power, void.

23. The effectiveness of transportation fares on the downtown line in excess of the prescribed reasonable maximum fare of nine cents will create an undue and unjust

burden upon the local downtown passenger in violation of the Interstate Commerce Act, and unless the enforcement, operation and execution of the Commission's order of August 3, 1943, is restrained will cause plaintiff and the members of its body politic great damages as aforesaid for which plaintiff has no adequate remedy at law.

24. Attached hereto and made a part hereof, as Exhibits, are the following:

Exhibit No. 1. The report and order of the Interstate Commerce Commission dated July 11, 1938, reported at 227 I.C.C. 741.

Exhibit No. 2. The report and order of the Interstate Commerce Commission dated June 8, 1943, reported at 255 I.C.C. 649.

[fol. 6] Exhibit No. 3. The report and order of the Interstate Commerce Commission dated August 3, 1943.

Exhibit No. 4. The petition of the Hudson & Manhattan Railroad Company dated July 8, 1943, for Reconsideration and Modification of the Findings Made by the Commission in its Report on Further Hearing.

Exhibit No. 5. Reply of Protestants dated July 14, 1943, to the petition of the Hudson & Manhattan Railroad Company dated July 8, 1943.

Wherefore, plaintiff prays:

First: That, upon the final hearing, the Judge shall call to his assistance, in the hearing and determination of this cause, two other Judges, of whom at least one shall be a Circuit Judge.

Second: That process may issue against defendants, United States of America, Interstate Commerce Commission and Hudson & Manhattan Railroad Company, and that due and proper service of such process of this complaint be forthwith made upon the United States of America by delivering a copy of the summons and of the complaint to the United States Attorney for the District of New Jersey, and by sending a copy of the summons and of the complaint by registered mail to the Attorney General of the United States of America at Washington, D. C., and upon the Interstate Commerce Commission by sending a copy of the summons and of the complaint by registered mail to the Secretary of the Interstate Commerce Commission, Wash-

ington, D. C., and upon the Hudson & Manhattan Railroad Company, by serving a copy of the summons and of the complaint upon the registered agent of said company.

Third: That upon final hearing of this cause this Court adjudge, order and decree that the said order of the Commission dated August 3, 1943, in so far as such order permits the establishment of any local interstate fare in excess of nine cents for transportation on the downtown line, is, and has at all times been, beyond the lawful authority of said Commission and wholly null and void and that said order be perpetually set aside and annulled and the enforcement thereof perpetually enjoined.

Fourth: That pending said final hearing, and in the meantime, a temporary injunction and restraint issue enjoining the defendants from so much of said Order of August 3, 1943, which permits the establishment of any local interstate fare in excess of nine cents for transportation on the downtown line.

Fifth: That this Court grant to plaintiff such order and further relief as may be proper in the premises.

(Sgd.) Charles A. Rooney, Attorney for Plaintiff.

(Sgd.) Charles Hershenstein, Of Counsel.

[fol. 7] AFFIDAVIT OF ARTHUR POTTERTON IN SUPPORT OF COMPLAINT

STATE OF NEW JERSEY,
County of Hudson, ss.:

ARTHUR POTTERTON, of full age, being duly sworn according to law on his oath deposes and says:

I am Acting Mayor of Jersey City. I have read the foregoing complaint and the matters and things therein set forth are true to the best of my knowledge, information and belief. The plaintiff, City of Jersey City, brings this action against the United States of America, the Interstate Commerce Commission (hereinafter sometimes called the Commission), and Hudson & Manhattan Railroad Company (hereinafter sometimes called the Railroad), for the purpose of enjoining, setting aside and annulling an order

of the Commission decided August 3, 1943, in the proceedings entitled "Investigation and Suspension Docket No. 4394, Passenger Fares of Hudson & Manhattan Railroad Company":

1. The jurisdiction of this Court over this action is under and pursuant to the provisions of Sections 41 subdivision (28), and Sections 43 to 48, inclusive, of Title 28 of the United States Code.

2. Plaintiff is a municipal corporation in the County of Hudson and State of New Jersey, and is a body politic. The mater covered by said order of the Commission arose in the District of New Jersey.

3. The defendant, United States of America, is sued pursuant to express authority of the Congress of the United States, as provided in Sections 43 to 48 of Title 28 of the United States Code.

The defendant, Interstate Commerce Commission, is an administrative commission existing under and by virtue of the Interstate Commerce Act, United States Code, Title 49, and is specifically charged with the administration and enforcement of the provisions of said act.

The defendant, Hudson & Manhattan Railroad Company is a common carrier by railroad engaged in the transportation of passengers in interstate commerce, subject to the provisions of the Interstate Commerce Act, United States Code, Title 49, Chapter I, part I, except those provisions which by their terms are not applicable to the interurban electric railway operated by the Hudson & Manhattan Railroad Company, and the order, hereinafter complained of, permits this railroad to increase its fares.

4. The defendant, Hudson & Manhattan Railroad Company is a consolidated corporation organized and existing under and pursuant to the laws of the States of New York and New Jersey, having a residence and its statutory office in the District of New Jersey. The railroad transports passengers only, and does not transport baggage, freight or express matter.

5. The railroad properties consist of an underground rapid transit passenger railway, furnishing transportation facilities between points in uptown and downtown New York City and points in Jersey City and Hoboken, New

Jersey. The railroad operates its trains in two services, commonly referred to as the downtown line and the uptown line.

On the downtown line the trains operate (a) between the downtown terminal at Hudson Terminal, New York City, on the one hand, and on the other the New Jersey stations [fol. 8] of Exchange Place, Grove and Henderson Streets and Journal Square, and (b) between the downtown terminal at Hudson Terminal on the one hand, and on the other the New Jersey stations located at Exchange Place, Erie Station and Hoboken.

On the uptown line the trains operate (a) between the New Jersey stations of Hoboken on the one hand, and on the other New York City stations of Christopher Street, 9th Street, 14th Street, 19th Street, 23rd Street and 33rd Street and (b) between the New Jersey stations at Journal Square, Grove and Henderson Streets and Erie Station, on the one hand, and on the other the New York City stations located at Christopher Street, 9th Street, 14th Street, 19th Street, 23rd Street and 33rd Street.

The railroad also operates, in conjunction with the Pennsylvania Railroad, a joint rapid transit electric train service between the downtown terminal at Hudson Terminal, New York, and the station of the Pennsylvania Railroad at Market Street, Newark, New Jersey. The trains in this joint service operate over the lines of the railroad between the downtown terminal, Hudson Terminal at New York City, and the Journal Square station, Jersey City, and from that point over a line owned by the Pennsylvania Railroad to the latter's station at Market Street, Newark, New Jersey.

6. On July 31, 1937, the railroad issued, published and filed, with the Commission, its local passenger tariff designated as I.C.C. No. 42, to become effective September 1, 1937, providing for the establishment of a fare of ten cents for the interstate transportation of passengers on the railroad's downtown line as aforesaid, in lieu of a fare of six cents previously published and maintained in force and effect. Said tariff provided for no changes in the fare then in effect for interstate transportation on the uptown line previously and then established at ten cents.

As a result of protests filed by plaintiff and others in New Jersey the effectiveness of the aforesaid tariff was

suspended and the lawfulness of the proposed increase in the downtown fare was made the subject matter of a proceeding instituted by the Interstate Commerce Commission in Investigation and Suspension Docket No. 4394.

7. After due hearing the Commission found, 227 I.C.C. 741, that the proposed increase from six cents to ten cents in the passenger fare maintained by the railroad on its downtown line had not been justified, but that an eight cent fare had been justified. A fare of eight cents on the downtown line became effective July 25, 1938, and has since been maintained. The Commission in its original report and order, 227 I.C.C. 741 made three paramount findings:

(1) "From the standpoint of the cost of the service to respondent, therefore, as well as of the value of the service to the passenger, it would seem that if ten cents is a maximum reasonable fare for the uptown service, the reasonable fare for the downtown service must be something less than ten cents." 227 I.C.C. 741, 754.

(2) "If respondent should feel impelled to seek a further increase in revenue it should consider doing so on interline traffic." 227 I.C.C. 741, 762.

(3) "The proposed fare of ten cents would be unreasonable under the Act and has not been justified." 227 I.C.C. 741, 762.

8. Following the promulgation of the report and order, 227 I.C.C. 741, as aforesaid, the railroad company appealed to the courts to enjoin the same. It filed its bill in the Southern District of New York seeking to enjoin the order of the Commission, but said action was dismissed by the District Court of the Southern District of New York because of improper venue, the court holding that proper venue was in the District of New Jersey, *Hudson & M. R. Co.* v. *U. S.*, 28 Fed. Supp. 137. Thereupon the railroad company filed its bill in the United States District Court [fol. 9] for the District of New Jersey. The order of the Commission accompanying the original report was upheld by the United States District Court, for the District of New Jersey, *Hudson & M. R. Co.* v. *United States*, 33 Fed. Supp. 495, which was affirmed by the Supreme Court, *Hudson & Manhattan R. Co.* v. *U. S.*, 313 U. S. 98.

9. Upon petition of the railroad of July 27, 1942, for further hearing and for leave to publish and charge a ten cent fare on the downtown line by reason of alleged changed conditions, the proceeding was reopened for further hearing by the Interstate Commerce Commission. Such further hearing was held and as a result thereof the Commission issued its decision on June 8, 1943, 255 I. C. C. 649, affirming its original conclusion that the proposed fare of ten cents would be unjust and unreasonable and has not been justified. The Commission further concluded that an increased local fare of nine cents on the railroad's downtown line had been justified for application during the remaining period of the war and six months after its termination.

10. In promulgating its report and order of June 8, 1943, as aforesaid, the Commission made the following specific findings:

(1) "That under normal circumstances the saturation point in increased fares (referring to the eight cent fare) on that traffic (downtown) has about been reached."

(2) "If respondent (railroad) had availed itself of the authority granted by our order of January 21, 1942, in *Increased Railway Rates, Fares, and Charges, 1942, supra*, the downtown fare would now be nine cents. An increase to that amount would be consistent with that decision."

(3) "While there can be little doubt that under present conditions further increase in this (eight cent) fare, even to ten cents, would result in additional net revenue, we are convinced that it would be unreasonable to expect the entire burden of the revenue increase to be borne by the downtown local passengers, and that a substantial portion thereof should be sought through increased divisions on the interline traffic."

11. The railroad on July 8, 1943, filed a petition for reconsideration and modification of the findings made by the Commission in its report on further hearing, dated June 8, 1943. That petition sought, through the medium of an affidavit attached thereto and made a part thereof, to secure modification of the Commission's order because of an alleged disability on the part of the railroad to collect the nine

cent fare on the downtown line with its available fare collection system. By this petition the railroad sought, pending the procurement of tokens which were to be sold at eleven for one dollar with an alternative cash fare of one dime, that it be authorized to charge, on the downtown line, a cash fare of ten cents. Such cash fare of ten cents was to continue in effect indefinitely until necessary tokens were acquired and alterations were made in the fare collection boxes. In connection therewith the railroad proposed that if its request were granted it would reduce the fare on the uptown line from ten cents per passenger to eleven tokens for one dollar, with an alternaitve cash fare payable only by a dime.

12. The plaintiff, on July 14, 1943, replied to the railroad's petition and in requesting denial thereof prayed that if any affirmative action be taken by the Commission, the proceeding be set for further hearing to give all parties their requisite day in Court on the new matters herein alleged and thereby afford the plaintiff its right of cross examination.

13. On August 3, 1943, upon the facts as aforesaid, without according the parties further hearing, the Commission issued its report on reconsideration. Such report affirmed the prior conclusion that the proposed fare of ten cents had not been justified for general application on the downtown [fol. 10] line but permitted an increased local fare on the downtown line based on the alternative basis of eleven tokens for one dollar or a cash fare of ten cents, payable by a dime. Such permissive increase was coupled with the proviso that contemporaneously with the establishment and maintenance of the increased downtown fare the same alternative basis, namely, eleven tokens for one dollar or a cash fare of ten cents, payable by a dime, be established and maintained on interstate traffic on the uptown line.

14. In so providing for increased fares on the downtown line whereby the regular patron or so called commutation passenger would be required to pay nine and one-eleventh cents per ride, and the occasional rider ten cents per ride in lieu of the nine cent fare theretofore found to be the reasonable maximum figure, the Commission in its report and order of August 3, 1943, stated:

> "The proposed alternative basis will not increase to any material extent the relative transportation bur-

den of the local commuters on the downtown line beyond that anticipated by our authority as granted in the prior report. We there found that it would be unreasonable to expect the entire burden of the revenue increase to which respondent is entitled to be borne by the downtown local passengers, and that a substantial portion thereof, for the reasons therein stated, should be sought through increased divisions on the traffic interchanged with the Pennsylvania Railroad Company. In its petition respondent states that it will undertake to seek promptly such increased divisions on that traffic as shall be adequate."

15. In the original report and order of the Commission, 277 I. C. C. 471, the Commission found that if the railroad "should feel impelled to seek a further increase in revenue (over and above an eight cent downtown fare therein prescribed) it should consider doing so on interline traffic." The Commission's decision containing such admonition was upheld by the District Court for the District of New Jersey, *Hudson & M. R. Co.* v. *U. S., supra,* and affirmed by the Supreme Court of the United States, *Hudson & Manhattan R. Co.* v. *U. S., supra.* A similar directive to the railroad to increase its revenue through an adjustment of its interline division with the Pennsylvania Railroad appeared in the Commission's report and order of June 8, 1943, 255 I. C. C. 649, and again in its report and order of August 3, 1943.

16. To the extent that the Commission permits the railroad to deliberately disregard the directive, contained in all of the reports and orders, as aforesaid, requiring the railroad to increase its revenues through proper adjustments of interline accounting with the Pennsylvania Railroad, and in lieu thereof permits increases in the local downtown fare notwithstanding the Commission's own statement, "that it would be unreasonable to expect the entire burden of the revenue increase to which respondent is entitled to be borne by the downtown local passengers;" the Commission acts arbitrarily, disregards the evidence, and transcends the authority vested in it in the administration of the Act.

17. It is apparent that the Commission, in authorizing local downtown fares in excess of the nine cent fare stated

to be the reasonable maximum charge in the report and order of June 8, 1943, 255 I. C. C. 649, does so wholly because of an alleged carrier disability. As to such alleged carrier disability the plaintiff herein has been deprived of its full day in Court by not having been given an opportunity to cross examine witnesses, refute and otherwise present counter evidence, and the order was entered without due process of law. To the extent that the Commission considered such matters in this regard, it acted arbitrarily and beyond the realms of proper judicial procedure.

[fol. 11] 18. To the extent that the Commission relegates the right of the passenger to a reasonable fare to a position subordinate to an alleged carrier disability, the Commission disregards established law, that every passenger is entitled to a reasonable fare. The carrier's disability does not justify the assessment of unreasonable fares or charges.

19. It is evident that the Commission, in part, justifies the increased downtown fare by the reduction in the uptown fare from ten cents to eleven tokens for a dollar or in the alternative a ten cent fare payable only by a dime. In so doing the Commission commits grevious error of law. A passenger is entitled to a reasonable fare over any branch or line of the service, irrespective of the fares or level of fares on other services thereof.

20. In requiring the establishment of an uptown fare of eleven tokens for one dollar or in the alternative a cash fare of ten cents payable only by a dime and permitting the establishment of the same fare on the downtown line the Commission wholly and completely disregards the evidence and facts of record by which it arrived at the conclusion that:

> "From the standpoint of the cost of the service to respondent, therefore, as well as of the value of the service to the passenger, it would seem that if ten cents is a maximum reasonable fare for the uptown service, the reasonable fare for the downtown service must be something less than ten cents"

and in so doing the Commission disregards and overrules the Supreme Court of the United States, *Hudson & Manhattan R. Co.* v. *U. S.*, 313 U. S. 98.

21. The basic findings of the Commission in its report and order of August 3, 1943, are unsupported by any probative evidence of record. Such basic findings flow from the acceptance of the carrier contention of alleged disability. However, even assuming that the facts were properly and judiciously in evidence, they are inadequate, as a matter of law, to support the Commission's ultimate findings. A fare in excess of nine cents, theretofore found to be unreasonable does not *ipso facto* become reasonable and proper because of a carrier disability.

22. In view of all of the facts hereinbefore set forth the order of the Commission of August 3, 1943, was arbitrary and capricious without foundation in law, based upon errors of law, and without adequate findings or any evidence to support them and contrary to the evidence of record, and in violation of the Interstate Commerce Act, and in violation of the specific interpretations of the governing law, made by the Federal Courts, including the United States Supreme Court, and accordingly the Commission acted in so arbitrary and unreasonable a manner as to render its order, although within the form of its delegated power, void.

23. The effectiveness of transportation fares on the downtown line in excess of the prescribed reasonable maximum fare of nine cents will create an undue and unjust burden upon the local downtown passenger in violation of the Interstate Commerce Act, and unless the enforcement, operation and execution of the Commission's order of August 3, 1943, is restrained will cause plaintiff and the members of its body politic great damages as aforesaid for which plaintiff has no adequate remedy at law.

24. Attached hereto and made a part hereof, as Exhibits, are the following:

Exhibit No. 1. The report and order of the Interstate Commerce Commission dated July 11, 1938, reported at 227 I. C. C. 741.

Exhibit No. 2. The report and order of the Interstate Commerce Commission dated June 8, 1943, reported at 255 I. C. C. 649.

[fol. 12-70] Exhibit No. 3. The report and order of the Interstate Commerce Commission dated August 3, 1943.

Exhibit No. 4. The petition of the Hudson & Manhattan Railroad Company dated July 8, 1943, for Reconsideration and Modification of the Findings Made by the Commission in its Report on Further Hearing.

Exhibit No. 5. Reply of Protestants dated July 14, 1943, to the petition of the Hudson & Manhattan Railroad Company dated July 8, 1943.

(Sgd.) Arthur Potterton.

Sworn and subscribed to before me at Jersey City this September 7th, 1943. (Sgd.) Ann G. Hogan, Notary Public of New Jersey.

[fol. 71] In the United States District Court

[Title omitted]

Order Convening Statutory Court and Setting Case for Hearing—September 14, 1943

It appearing that plaintiff in the above entitled cause on September 13, 1943, filed a complaint seeking to have perpetually set aside and annulled so much of the Order of the Interstate Commerce Commission dated August 3, 1943 in a proceeding entitled "Investigation and Suspension Docket No. 4394, Passenger Fares of Hudson & Manhattan Railroad Company" which permits the establishment of a local interstate fare in excess of nine cents for transportation on its downtown line, and to perpetually enjoin the enforcement of said order in which said complaint the plaintiff also seeks a temporary injunction and restraint enjoining the enforcement of so much of said order of August 3, 1943 which permits the establishment of any local interstate fare in excess of nine cents for transportation on its downtown line, and that the said complaint prays that the judge shall call to his assistance in the hearing and determination of this cause two other judges of whom at least one shall be a Circuit Judge; and

It further appearing that the matter of the issuance of a temporary injunction and restraint should be forthwith heard and determined,

Honorable Gerald McLaughlin, United States Circuit Judge, Third Circuit, and Honorable Guy L. Fake, United

[fols. 72-74] States District Judge for the District of New Jersey, are hereby called to the assistance of the Judge of this Court whose signature is affixed hereto for the hearing and determination in the application for a temporary injunction and restraint and for the hearing and determination of the said cause; and

It is Ordered by the Court that the application for the temporary injunction and restraint in the herein above entitled cause be and it is hereby set for hearing at the United States Court in Newark, N. J. on Sept. 21st, 1943 at 10:30 o'clock in the forenoon.

Dated, Newark, N. J. September 14, 1943.

Thomas F. Meaney, U. S. D. J.

[fol. 75] In the District Court of the United States

[Title omitted]

Answer of Interstate Commerce Commission—Filed September 25, 1943

The Interstate Commerce Commission, one of the defendants in the above-entitled suit, for answer to the complaint heretofore filed in this case, answers and says:

I

Answering the allegations of paragraphs 1 to 6, inclusive, of the complaint, the Commission admits the same.

II

Answering the allegations of paragraph 7 of the complaint, the Commission respectfully refers the court to its decision, reported in 227 I. C. C. 741, annexed to the complaint as Exhibit No. 1, for more full and complete information concerning the findings of the Commission than is contained in said paragraph.

III

Answering the allegations of paragraph 8 of the complaint, the Commission admits the same.

[fol. 76]

IV

Answering the allegations of paragraphs 9 and 10 of the complaint, the Commission respectfully refers the court to its decision of June 8, 1943, 255 I. C. C. 649, for more complete information concerning its findings than is contained in said paragraphs. The Commission's report of June 8, 1943, is attached to the complaint as Exhibit No. 2, to which the Commission respectfully refers the court.

V

Answering the allegations of paragraph 11 of the complaint, the Commission admits the filing by the railroad of the petition for reconsideration therein referred to. Said petition for reconsideration is attached to and made a part of the complaint as Exhibit No. 4, to which the Commission respectfully refers the court for more full and complete information concerning its contents than is contained in said paragraph.

VI

Answering the allegations of paragraph 12 of the complaint, the Commission admits the same but refers the court to the plaintiff's reply to the railroad's petition for reconsideration, which is attached to the complaint as Exhibit No. 5.

VII

Answering the allegations of paragraphs 13 and 14 of the complaint, the Commission respectfully refers the court to its report of August 3, 1943, for more full and complete information concerning its findings than is contained in said paragraphs. Said report of August 3, 1943, is attached to the complaint as Exhibit No. 3, to which the Commission respectfully refers the court.

[fol. 77]

VIII

Answering the allegations of paragraph 15 of the complaint, the Commission admits the same.

IX

Answering the allegations of paragraphs 16 to 23, inclusive, of the complaint, the Commission denies the same.

X

Answering the allegations of paragraph 24 of the complaint, the Commission admits that the exhibits therein referred to are true copies of such documents.

Further answering the complaint as a whole, the Commission alleges that in the proceedings giving rise to this suit the parties thereto, including the plaintiff herein, were, and each of them was, accorded the full hearing provided by the Interstate Commerce Act; that in said hearing testimony and other evidence bearing upon the matters covered in said report and order was submitted to the Commission for consideration; that at said hearing and subsequently, both orally and in briefs filed in said proceedings, questions relating to said matters were fully argued and submitted to the Commission for determination on behalf of said parties by their respective counsel, including many of the particular questions raised by plaintiff in this suit, whereupon the Commission determined said matters and entered and served upon all the parties to said proceedings, including the plaintiff herein, its said reports and orders; that said reports and orders included the Commission's findings of fact, conclusions and requirements in the premises, and that, upon the evidence aforesaid, and as shown in and by the said reports, the Commission made the findings and stated the conclusions upon which its orders was based.

[fol. 78] The Commission further alleges that the findings and conclusions in said reports and orders were and are, and that each of them was and is, fully supported and justified by the evidence submitted in said proceedings as aforesaid.

The Commission further alleges that in making said reports, it considered and weighed carefully, in the light of its own knowledge and experience, each fact, circumstance, and condition called to its attention on behalf of the parties to said proceedings by their respective counsel, including many of the matters covered by the allegations of the complaint herein.

The Commission further alleges that said reports and orders were not made or entered either arbitrarily or unjustly, or contrary to the relevant evidence, or without evidence to support them, that in making said orders the Commission did not exceed the authority which had been duly conferred upon it, and the Commission denies each of and all the allegations to the contrary contained in the complaint.

To the extent that the allegations contained in the complaint are in conflict with statements and findings contained in its said reports, the Commission denies the same.

Except as herein expressly admitted, the Commission denies each of and all the allegations contained in the complaint, in so far as they conflict either with the allegations herein, or with either the statements or conclusions of fact included in said reports of July 30, 1938, June 8, 1943, and August 3, 1943, referred to and made a part of the petition as Exhibits Nos. 1, 2 and 3, respectively, which reports and orders are hereby referred to and made parts hereof.

[fol. 79] Further answering the allegations of the complaint, the Commission alleges that on September 18, 1943, it made and entered an order reopening this proceeding for further hearing, a copy of which is attached to this answer as Exhibit A.

All of which matters and things the Commission is ready to aver, maintain and prove as this Honorable Court shall direct, and hereby prays that said complaint be dismissed.

Interstate Commerce Commission, by E. M. Reidy, Assistant Chief Counsel.

Daniel W. Knowlton, Chief Counsel, Of Counsel.

[fol. 80] *Duly sworn to by Claude R. Porter. Jurat omitted in printing.*

[fols. 81-82] EXHIBIT A TO ANSWER OF I. C. C.

Interstate Commerce Commission

Order

At a General Session of the Interstate Commerce Commission, held at its Office in Washington, D. C., on the 18th day of September, 1943

Investigation & Suspension Docket No. 4394

Passenger Fares Of Hudson & Manhattan Railroad Company

Upon further consideration of the record in the above-entitled proceeding, and good cause appearing,

It Is Ordered, That this proceeding be reopened for further hearing to permit any party hereto to present evidence

directed solely to the propriety and lawfulness of the modifications made by the Commission in its report of August 3, 1943, on further consideration of its prior findings and orders of July 11, 1938 and June 8, 1943; that at such further hearing any party hereto shall have the right to cross examine adverse witnesses, and, upon the conclusion of such hearing, any party so desiring may make oral argument before the examiner, but no further briefs shall be submitted, nor shall a proposed report be issued, nor shall there be further argument before the Commission.

It Is Further Ordered, That this proceeding be assigned for such further hearing before Examiner Koch in the Commission's Offices at Washington, D. C., on September 28, 1943, at 10:00 o'clock A. M.

By the Commission, W. P. Bartel, Secretary. (Seal.)

[fol. 83] IN THE UNITED STATES DISTRICT COURT

[Title omitted]

NOTICE OF MOTION FOR LEAVE TO FILE AMENDED COMPLAINT—Filed November 18, 1943

To: The Attorney General of the United States, at Washington, D. C., and Hon. Charles M. Phillips, United States Attorney for the District of New Jersey, Attorneys for United States of America;

Daniel W. Knowlton, Esq., Chief Counsel and E. M. Reidy, Assistant Chief Counsel, Attorneys for Interstate Commerce Commission;

Collins & Corbin, Esqs., John Finerty, Esq., and John E. Buck, Esq., Attorneys for Hudson & Manhattan Railroad Company.

SIRS:

Please Take Notice, that the undersigned will move this Court on behalf of the plaintiff, City of Jersey City, on the 19th day of November, 1943, at 10:30 o'clock in the forenoon, or as soon thereafter as counsel can be heard, at the Court Room of the United States District Court for the District of New Jersey, Post Office Building, Newark, New Jersey,

upon the complaint filed herein and upon all proceedings heretofore had herein for an order granting leave to plaintiff to file and serve the annexed amended complaint, and for such other and further relief as to this Court may be just and proper in the premises.

Dated November 15, 1943.

(S.) Charles A. Rooney, Attorney for Plaintiff, City of Jersey City, City Hall, Jersey City, N. J.

(S.) Charles Hershenstein, Of Counsel.

[fol. 84] In the United States District Court

[Title omitted]

Order Granting Leave to File Amended Complaint—November 19, 1943

Application having been made by the plaintiff herein for leave to file and serve an amended complaint, due notice of said application having been given to all of the parties to these proceedings, and no one objecting thereto and good cause appearing therefor;

It is, on this Nineteenth day of November, 1943, Ordered that leave is hereby granted to the plaintiff to file the attached amended complaint and to serve copies thereof upon all parties interested in the proceeding.

Thomas P. Meany, Judge, United States District Court.

[fol. 85] In the United States District Court

[Title omitted]

Amended Complaint—Filed November 18, 1943

Plaintiff, The City of Jersey City, brings this action against the United States of America, the Interstate Commerce Commission (hereinafter sometimes called the Commission), and Hudson & Manhattan Railroad Company (hereinafter sometimes called the Railroad), for the purpose of enjoining, setting aside and annulling the orders of the Commission decided June 8, 1943 (attached hereto as

Exhibit 2), and November 2, 1943 (attached hereto as Exhibit 7), in the proceedings entitled "Investigation and Suspension Docket No. 4394, Passenger Fares of Hudson & Manhattan Railroad Company", and alleges:

1. The jurisdiction of this Court over this action is under and pursuant to the provisions of Section 41, subdivision (28), and Sections 43 to 48, inclusive, of Title 28 of the United States Code.

2. Plaintiff is a municipal corporation in the County of Hudson and State of New Jersey, and is a body politic. The matter covered by said order of the Commission arose in the District of New Jersey.

3. The defendant, United States of America, is sued pursuant to express authority of the Congress of the United States, as provided in Sections 43 to 48 of Title 28 of the United States Code.

The defendant, Interstate Commerce Commission, is an administrative commission existing under and by virtue of the Interstate Commerce Act, United States Code, Title 49, and is specifically charged with the administration and enforcement of the provisions of said act.

The defendant, Hudson & Manhattan Railroad Company is a common carrier by railroad engaged in the transportation of passengers in interstate commerce, subject to the provisions of the Interstate Commerce Act, United States Code, Title 49, Chapter I, part I, except those provisions which by their terms are not applicable to the interurban electric railway operated by the Hudson & Manhattan Railroad Company, and the order, hereinafter complained of, permits this railroad to increase its fares.

4. The defendant, Hudson & Manhattan Railroad Company is a consolidated corporation organized and existing under and pursuant to the laws of the States of New York and New Jersey, having a residence and its statutory office in the District of New Jersey. The railroad transports passengers only, and does not transport baggage, freight or express matter.

5. The railroad properties consist of an underground rapid transit passenger railway, furnishing transportation facilities between points in uptown and downtown New York City and points in Jersey City and Hoboken, New

Jersey. The railroad operates its trains in two services commonly referred to as the downtown line and the uptown line.

On the downtown line the trains operate (a) between the downtown terminal at Hudson Terminal, New York City, on the one hand, and on the other the New Jersey stations [fol. 86] of Exchange Place, Grove and Henderson Streets and Journal Square, and (b) between the downtown terminal at Hudson Terminal on the one hand, and on the other the New Jersey stations located at Exchange Place, Erie Station and Hoboken.

On the uptown line the trains operate (a) between the New Jersey stations of Hoboken on the one hand, and on the other New York City stations of Christopher Street, 9th Street, 14th Street, 19th Street, 23rd Street and 33rd Street and (b) between the New Jersey stations at Journal Square, Grove and Henderson Streets and Erie Station, on the one hand, and on the other the New York City stations located at Christopher Street, 9th Street, 14th Street, 19th Street, 23rd Street and 33rd Street.

The railroad also operates, in conjunction with the Pennsylvania Railroad, a joint rapid transit electric train service between the downtown terminal at Hudson Terminal, New York, and the station of the Pennsylvania Railroad at Market Street, Newark, New Jersey. The trains in this joint service operate over the lines of the railroad between the downtown terminal, Hudson Terminal at New York City, and the Journal Square station, Jersey City, and from that point over a line owned by the Pennsylvania Railroad to the latter's station at Market Street, Newark, New Jersey.

6. On July 31, 1937, the railroad issued, published and filed, with the Commission, its local passenger tariff designated as I. C. C. No. 42, to become effective September 1, 1937, providing for the establishment of a fare of ten cents for the interstate transportation of passengers on the railroad's downtown line as aforesaid, in lieu of a fare of six cents previously published and maintained in force and effect. Said tariff provided for no changes in the fare then in effect for interstate transportation on the uptown line previously and then established at ten cents.

As a result of protests filed by plaintiff and others in New Jersey the effectiveness of the aforesaid tariff was suspended and the lawfulness of the proposed increase in

the downtown fare was made the subject matter of a proceeding instituted by the Interstate Commerce Commission in Investigation and Suspension Docket No. 4394.

7. After due hearing the Commission on July 11, 1938, found, 227 I. C. C. 741, that the proposed increase from six cents to ten cents in the passenger fare maintained by the railroad on its downtown line had not been justified, but that an eight-cent fare had been justified. A fare of eight cents on the downtown line became effective July 25, 1938, and has since been maintained. The Commission in its original report and order, 227 I. C. C. 741, made three paramount findings:

> (1) "From the standpoint of the cost of the service to respondent, therefore, as well as of the value of the service to the passenger, it would seem that if ten cents is a maximum reasonable fare for the uptown service, the reasonable fare for the downtown service must be something less than ten cents." 227 I. C. C. 741, 754.
>
> (2) "If respondent should feel impelled to seek a further increase in revenue it should consider doing so on interline traffic." 227 I. C. C. 741, 762.
>
> (3) "The proposed fare of ten cents would be unreasonable under the Act and has not been justified." 227 I. C. C. 741, 762.

8. Following the promulgation of the report and order of July 11, 1938, 227 I. C. C. 741, as aforesaid, the railroad company appealed to the courts to enjoin the same. It filed its bill in the Southern District of New York seeking to enjoin the order of the Commission, but said action was dismissed by the District Court of the Southern District of New York because of improper venue, the court holding that proper venue was in the District of New Jersey, *Hudson & M. R. Co.* v. *U. S.*, 28 Fed. Supp. 137. Thereupon the railroad company filed its bill in the United States District [fol. 87] Court for the District of New Jersey. The order of the Commission accompanying the original report was upheld by the United States District Court for the District of New Jersey, *Hudson & M. R. C.* v. *United States*, 33 Fed. Supp. 495, which was affirmed by the Supreme Court, *Hudson & Manhattan R. Co.* v. *U. S.*, 313 U. S. 98.

9. Upon petition of the railroad of July 27, 1942, for further hearing and for leave to publish and charge a ten-cent

fare on the downtown line by reason of alleged changed conditions, the proceeding was reopened for further hearing by the Interstate Commerce Commission. Such further hearing was held and as a result thereof the Commission issued its decision on June 8, 1943, 255 I. C. C. 649, affirming its original conclusion that the proposed fare of ten cents would be unjust and unreasonable and has not been justified. The Commission further concluded that an increased local fare of nine cents on the railroad's downtown line had been justified for application during the remaining period of the war and six months after its termination.

10. In promulgating its report and order of June 8, 1943, as aforesaid, the Commission made the following specific findings:

(1) "That under normal circumstances the saturation point in increased fares (referring to the eight-cent fare) on that traffic (downtown) has about been reached."

(2) "If respondent (railroad) had availed itself of the authority granted by our order of January 21, 1942, in *Increased Railway Rates, Fares and Charges, 1942, supra,* the downtown fare would now be nine cents. An increase to that amount would be consistent with that decision."

(3) "While there can be little doubt that under present conditions further increase in this (eight-cent) fare, even to ten cents, would result in additional net revenue, we are convinced that it would be unreasonable to expect the entire burden of the revenue increase to be borne by the downtown local passengers, and that a substantial portion thereof should be sought through increased divisions on the interline traffic."

(4) "Moreover, while the fares and charges for commutation service of carriers serving the New York metropolitan area are not uniform, those of carriers other than respondent portrayed on this record afford stronger support, differences in transportation services considered, for either an eight-cent or a nine-cent fare than for a ten-cent fare on the downtown line of respondent."

11. The railroad on July 8, 1943, filed a petition for reconsideration and modification of the findings made by the

Commission in its report on further hearing, dated June 8, 1943. That petition sought, through the medium of an affidavit attached thereto and made a part thereof, to secure modification of the Commission's order because of an alleged disability on the part of the railroad to collect the nine-cent fare on the downtown line with its available fare collection system. By this petition the railroad sought, pending the procurment of tokens which were to be sold at eleven for one dollar with an alternative cash fare of one dime, that it be authorized to charge, on the downtown line, a cash fare of ten cents. Such cash fare of ten cents was to continue in effect indefinitely until necessary tokens were acquired and alterations were made in the fare-collection boxes. In connection therewith, the railroad proposed that if its request were granted it would reduce the fare on the uptown line from ten cents per passenger to eleven tokens for one dollar, with an alternative cash fare payable only by a dime.

12. The plaintiff, on July 14, 1943, replied to the railroad's petition and in requesting denial thereof prayed that if any affirmative action be taken by the Commission, the proceeding be set for further hearing to give all parties their requisite day in Court on the new matters herein alleged and thereby afford the plaintiff its right of cross examination.

[fol. 88] 13. On August 3, 1943, upon the facts aforesaid, without according the parties further hearing, the Commission issued its report on reconsideration. Such report affirmed the prior conclusion that the proposed fare of ten cents had not been justified for general application on the downtown line but permitted an increased local fare on the downtown line based on the alternative basis of eleven tokens for one dollar or a cash fare of ten cents, payable by a dime. Such permissive increase was coupled with the proviso that contemporaneously with the establishment and maintenance of the increased downtown fare the same alternative basis, namely, eleven tokens for one dollar or a cash fare of ten cents, payable by a dime, be established and maintained on interstate traffic on the uptown line.

14. In so providing for increased fares on the downtown line whereby the regular patron or so-called commutation passenger would be required to pay nine and one-eleventh

cents per ride, and the occasional rider ten cents per ride in lieu of the nine-cent fare theretofore found to be the reasonable maximum figure, the Commission in its report and order of August 3, 1943, stated:

> "The proposed alternative basis will not increase to any material extent the relative transportation burden of the local commuters on the downtown line beyond that anticipated by our authority as granted in the prior report. We there found that it would be unreasonable to expect the entire burden of the revenue increase to which respondent is entitled to be borne by the downtown local passengers, and that a substantial portion thereof, for the reasons herein stated, should be sought through increased divisions on the traffic interchanged with the Pennsylvania Railroad Company. In its petition respondent states that it will undertake to seek promptly such increased divisions on that traffic as shall be adequate."

In the original report and order of the Commission made July 11, 1938, 227 I. C. C. 471, the Commission found that if the railroad "should feel impelled to seek a further increase in revenue (over and above an eight-cent downtown fare therein prescribed) it should consider doing so on interline traffic." The Commission's decision containing such admonition was upheld by the District Court for the District of New Jersey, *Hudson & M. R. Co.* v. *U. S., supra,* and affirmed by the Supreme Court of the United States, *Hudson & Manhattan R. Co.* v. *U. S., supra.* A similar directive to the railroad to increase its revenue through an adjustment of its interline division with the Pennsylvania Railroad appeared in the Commission's report and order of June 8, 1943, 255 I. C. C. 649 and again in its report and order of August 3, 1943.

The Commission acted arbitrarily and capriciously in permitting the railroad to increase the burden imposed upon the local downtown passenger in view of the carrier's dereliction to abide by the directive of the Commission to obtain additional revenue from increased divisions from interline traffic.

15. To the extent that the Commission permits the railroad to deliberately disregard the directive, contained in all of the reports and orders, as aforesaid, requiring the rail-

road to increase its revenues through proper adjustments of interline accounting with the Pennsylvania Railroad, and in lieu thereof permits increases in the local downtown fare notwithstanding the Commission's own statement, "that it would be unreasonable to expect the entire burden of the revenue increase to which respondent is entitled to be borne by the downtown local passengers," the Commission acts arbitrarily, disregards the evidence, and transcends the authority vested in it in the administration of the Act.

16. The Commission, in authorizing local downtown fares in excess of the nine-cent fare stated to be the reasonable maximum charge in the report and order of June 8, 1943, 255 I. C. C. 649, does so wholly because of an alleged carrier [fol. 89] disability. As to such alleged carrier disability the plaintiff herein has been deprived of its full day in Court by not having been given an opportunity to cross examine witnesses, refute and otherwise present counter evidence, and the order was entered without due process of law. To the extent that the Commission considered such matters in this regard, it acted arbitrarily and beyond the realms of proper judicial procedure.

17. To the extent that the Commission relegates the right of the passenger to a reasonable fare to a position subordinate to an alleged carrier disability, the Commission disregards established law, that every passenger is entitled to a reasonable fare. The carrier's disability does not justify the assessment of unreasonable fares or charges.

18. The Commission, in part, justifies the increased downtown fare by the reduction in the uptown fare from ten cents to eleven tokens for a dollar or in the alternative a ten-cent fare payable only by a dime. In so doing the Commission commits grievous error of law. A passenger is entitled to a reasonable fare over any branch or line of the service irrespective of the fares or level of fares on other services thereof.

19. In requiring the establishment of an uptown fare of eleven tokens for one dollars or in the alternative a cash fare of ten cents payable only by a dime and permitting the establishment of the same fare on the downtown line the Commission wholly and completely disregards the evidence and facts of record by which it arrived at the conclusion that:

"From the standpoint of the cost of the service to respondent, therefore, as well as of the value of the service to the passenger, it would seem that if ten cents is a maximum reasonable fare for the uptown service, the reasonable fare for the downtown service must be something less than ten cents"

and in so doing the Commission disregards and overrules the Supreme Court of the United States, *Hudson & Manhattan R. Co.* v. *U. S.*, 313 U. S. 98.

20. The basic findings of the Commission in its report and order of August 3, 1943, are unsupported by any probative evidence of record. Such basic findings flow from the acceptance of the carrier contention of alleged disability. However, even assuming that the facts were properly and judiciously in evidence, they are inadequate, as a matter of law, to support the Commission's ultimate findings. A fare in excess of nine cents, theretofore found to be unreasonable does not *ipso facto* become reasonable and proper because of a carrier disability.

21. On September 13, 1943, the City of Jersey City filed a complaint in the United States District Court for the District of New Jersey, having for its purpose the enjoining of the report and order of August 3, 1943. Application was made, upon filing said bill, for a temporary restraint against putting into effect said order and a statutory court was duly established to hear said application.

22. By order dated September 18, 1943, and prior to hearing of the application for a temporary restraint, the Interstate Commerce Commission reopened the instant proceeding for further hearing "to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modifications made by the Commission in its report of August 3, 1943, on further consideration of its prior findings and orders of July 11, 1938, and June 8, 1943," and to afford "any party hereto * * * the right to cross examine adverse witnesses." Such reopening was occasioned wholly by the filing of the complaint by the City of Jersey City, as aforesaid, "out of an abundance of caution," language of the Interstate Commerce Commission in its report and order dated November 2, 1943.

[fol. 90] The Interstate Commerce Commission order of reopening, dated September 18, 1943, as above described, by the terms thereof, specifically limited the scope of the rehearing wholly and solely to permit the railroad to establish such evidence of changed conditions since the previous hearings as would improve their position in the proceeding. By the same token and at the same time, the Commission's order of September 18, 1943, as defined by the trial examiner, specifically limited and precluded the other parties to the proceeding, which includes the plaintiff herein, from offering any evidence or testimony relative to changed conditions that occurred since the previous hearings which would establish the lack of need, by the railroad, for any revenue over and above that produced by the existing eight-cent local downtown fare.

23. This proceeding before the Interstate Commerce Commission was and is wholly and solely a revenue proceeding. The railroad seeks authorization to increase its existing fares for the sole purpose of providing additional revenue which it claims it needs. The railroad's position, as indicated in the decision of the Interstate Commerce Commission of June 8, 1943, is that:

> "under present fares (eight cents on the local downtown line and ten cents on the uptown line) it would be necessary for its annual traffic to increase by about 30 per cent over that of 1941 in order to meet the current interest requirements on its bonded indebtedness."

The plaintiff endeavored to submit proof that the railroad's patronage had been increased by an amount in excess of 30 per cent, 1943 over 1941, and that no additional revenue was necessary or could properly be prescribed over and above that resulting from the existing eight-cent local downtown fare, but the Commission declined to receive any proof offered by the plaintiff in this regard. Moreover, if any additional revenue is needed by the railroad, which the record disputes, such revenue should be obtained through increased divisions of the interline traffic following the directives of the Interstate Commerce Commission as set forth hereinbefore.

24. To the extent that the Commission precluded the plaintiff from bringing the stale record down to date with

respect to the railroad's patronage and need for revenue, the Commission acted arbitrarily and capriciously and deprived the plaintiff of its full day in Court with respect to that reopened proceeding, and denied plaintiff due process of law under the Federal Constitution.

25. Because of the inability of the parties to the proceeding before the Interstate Commerce Commission to present testimony and evidence relative to changed circumstances and conditions, petitions for further hearing were presented by the protestants before the Interstate Commerce Commission but such petitions were denied on November 2, 1943, because the Commission stated that:

> "We have no reason to believe that, if the additional hearing sought were held, we would feel warranted in modifying our findings as made in the second report."

To the extent that the Commission prejudges and prophesies its findings that would result from a hearing not yet held the Commission acts arbitrarily, capriciously and beyond the scope of proper judicial proceeding, and is guilty of an abuse of discretion.

26. The Order of the Interstate Commerce Commission dated June 8, 1943, is in itself illegal and reflects conclusions arbitrarily made without proper support in the record, in that the Commission authorized an increase in fares from eight to nine cents predicated upon an alleged revenue need of the carrier without in effect finding that revenue was needed and that such revenue should be obtained from [fol. 91] the local downtown passengers. As a matter of fact, the Commission found that any increase in revenue should be provided by the joint interline traffic through the medium of increased divisions to the Hudson & Manhattan Railroad. Moreover, the Commission predicated its order of June 8, 1943, authorizing the increase from eight to nine cents upon the fact that it had previously authorized railroads operating in interstate commerce, parties to a proceeding before it known as *Exparte* 148, *Increased Railway Rates, Fares and Charges*, 1942, 248 I. C. C. 545, "to increase passenger fares by an amount of 10 per cent and freight rates by an amount of 6 per cent." The defendant, Hudson & Manhattan Railroad Company was named originally as a party in *Ex Parte* 148, but upon

its own motion the railroad company was eliminated as a party to the proceedings and this, upon the ground that the railroad company refused to be bound by any order which the Interstate Commerce Commission might make in those proceedings predicated upon the evidence produced therein. Subsequent to the Interstate Commerce Commission decision in *Ex Parte* 148, and upon petitions filed by interested parties, the Interstate Commerce Commission found that the railroad carriers operating in interstate commerce in the United States no longer required increased revenues and that accordingly there was no justification for the maintenance of the *Ex Parte* 148, increases. Accordingly the Interstate Commerce Commission ordered the railroads to cancel from their tariffs the 6 per cent increase authorized on freight traffic. Concurrently, the Commission found that while the rail carriers offered no justification for the continuance of the 10 per cent increase on passenger fares, nevertheless, it deemed its continuance in the interest of the National Defense program in that the removal of the 10 per cent in increase in passenger fares, which was no longer justified, would tend to attract and otherwise induce augmented passenger patronage to the railroads, which was not desirable, and in order to discourage any increase in transportation of passengers the Interstate Commerce Commission continued the 10 per cent increase on passenger traffic.

Notwithstanding the facts stated above, the Interstate Commerce Commission in its order of June 3, 1943, in this case predicated the increase in the railroad local downtown fare from eight to nine cents upon the statement that "an increase to that amount would be consistent with that decision," referring to the decision in *Ex Parte* 148. Such increase, however, is not consistent with that decision in that:

(a) The Hudson & Manhattan Railroad Company was not a party to the proceeding in *Ex Parte* 148;

(b) The revenue position of the Hudson & Manhattan Railroad is specifically set forth in the record in this proceeding and does not justify any increase in fares; and

(c) The record in this proceeding establishes, and all parties agree, that the traffic of the Hudson & Manhat-

tan Railroad is predominantly that of commuters occupying a situation wholly distinct and different from the general passenger patronage of railroads generally in the United States, and accordingly such commuter traffic cannot be treated in the light of conditions affecting railroad passenger patronage generally in the United States. Commuter traffic cannot be curtailed by levy in the form of increased and exorbitant fares.

27. Plaintiff further alleges and charges that in making its findings of November 2, 1943, wherein the Commission reiterated the findings previously made by it in its report and order of August 3, 1943, the Commission merely went through the motions of giving protestants its day in Court. The Commission's findings authorizing an increase in the local downtown fare to an alternative fare basis of eleven tokens for one dollar or a cash fare of one dime conditioned upon the establishment and maintenance of the same alternative fare basis on the uptown line was predicated, (1) upon the alleged inability of the railroad to collect a nine-[fol. 92] cent fare in its present coil collecting facilites, and (2) upon the fact that such alternative fare basis is the only practical method of collecting fares to be used universally on the railroad. The testimony in evidence upon which these findings were made were nebulous in character and fraught with contradictions.

The Commission in finding that it is impracticable for respondent to collect a cash fare of nine cents does so in the face of testimony and evidence of the railroad that it is physically possible so to do with the existing mechanical devices merely by removing the fare-counting mechanism presently contained in the collecting devices. The Commission entirely and completely disregards this evidence as it does also the fact that rapid transit lines throughout the country make fare collections in coin receptacles that do not have counting devices. To the extent that the Commission disregarded this evidence and testimony and refused to make any findings with respect to the railroad's ability to collect the nine-cent fare in its present mechanism it acted arbitrarily, capriciously and beyond the scope of its delegated authority, and was guilty of a gross abuse of discretion.

28. While finding that the alternative fare collection is the only practical method available to the railroad for uni-

versal application on its facilities, the Commission completely disregards and discards the railroad's own testimony of record that such token arrangements cannot possibly be used on its intrastate facilities. To the extent that the Commission disregards and discards this evidence and testimony, it commits grievous error of fact and law.

29. The prescription by the Interstate Commerce Commission of a uniform scale of fares on both the uptown and downtown line completely disregards and overrules the previous findings made by it, the Federal Courts and the United States Supreme Court on precisely the same factual situation. To this extent the Commission acted arbitrarily, capriciously and beyond the scope of its delegated authority. In so doing the Commission entirely disregarded the facts of record which portray the related services accorded to the passenger, the cost of the service to the railroad, and the value of the service to the passenger.

30. In view of all of the facts hereinbefore set forth the orders of the Commission of June 8, 1943, and November 2, 1943, were arbitrary and capricious without foundation in law, based upon errors of law, and without adequate findings or any evidence to support them and contrary to the evidence of record, and in violation of the Interstate Commerce Act, and in violation of the specific interpretations of the governing law, made by the Federal Courts, including the United States Supreme Court, and accordingly the Commission acted in so arbitrary and unreasonable a manner as to render its orders, although within the form of its delegated power, void.

31. The effectiveness of transportation fares on the downtown line in excess of the reasonable maximum fare of eight cents will create an undue and unjust burden upon the local downtown passenger in violation of the Interstate Commerce Act, and unless the enforcement, operation and execution of the Commission's orders of June 8, 1943, and November 2, 1943, are restrained will cause plaintiff and the members of its body politic great damages as aforesaid for which plaintiff has no adequate remedy at law.

32. Attached hereto and made a part hereof, as Exhibits, are the following:

Exhibit No. 1. The report and order of the Interstate Commerce Commission dated July 11, 1938, reported at 227 I. C. C. 741.

[fol. 93] Exhibit No. 2. The report and order of the Interstate Commerce Commission dated June 8, 1943, reported at 255 I. C. C. 649.

Exhibit No. 3. The report and order of the Interstate Commerce Commission dated August 3, 1943.

Exhibit No. 4. The petition of the Hudson & Manhattan Railroad Company dated July 8, 1943, for Reconsideration and Modification of the Findings Made by the Commission in its Report on Further Hearing.

Exhibit No. 5. Reply of Protestants dated July 14, 1943, to the petition of the Hudson & Manhattan Railroad Company dated July 8, 1943.

Exhibit No. 6. Order of the Interstate Commerce Commission, dated September 18, 1943, reopening the proceedings for further hearing and circumscribing the plaintiff's right to produce evidence.

Exhibit No. 7. The report and order of the Interstate Commerce Commission dated November 2, 1943.

Wherefore plaintiff prays:

First. That, upon the final hearing, the Judge shall call to his assistance, in the hearing and determination of this cause, two other Judges, of whom at least one shall be a Circuit Judge.

Second. That process may issue against defendants, United States of America, Interstate Commerce Commission and Hudson & Manhattan Railroad Company, and that due and proper service of such process of this complaint be forthwith made upon the United States of America by delivering a copy of the summons and of the complaint to the United States Attorney for the District of New Jersey, and by sending a copy of the summons and of the complaint by registered mail to the Attorney General of the United States of America at Washington, D. C., and upon the Interstate Commerce Commission by sending a copy of the summons and of the complaint by registered mail to the Secretary of the Interstate Commerce Commission, Washington, D. C., and upon the Hudson & Manhattan Railroad Company, by serving a copy of the summons and of the complaint upon the registered agent of said company.

Third. That upon final hearing of this cause this Court adjudge, order and decree that the said orders of the Commission dated June 8, 1943, and November 2, 1943, in so far as such orders permit the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line, is, and has at all times been, beyond the lawful authority of said Commission and wholly null and void and that said orders be perpetually set aside and annulled and the enforcement thereof perpetually enjoined.

Fourth: That pending said final hearing, and in the meantime, a temporary injunction and restraint issue enjoining the defendants from so much of said Orders of June 8, 1943, and November 2, 1943, which permits the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line.

Fifth. That this Court grant to plaintiff such order and further relief as may be proper in the premises.

(Sgd.) Charles A. Rooney, Attorney for Plaintiff.
(Sgd.) Charles Hershenstein, of Counsel.

[fol. 94] AFFIDAVIT OF ARTHUR POTTERTON IN SUPPORT OF AMENDED COMPLAINT

STATE OF NEW JERSEY,
County of Hudson, ss.:

ARTHUR POTTERTON, of full age, being duly sworn according to law on his oath deposes and says:

I am Acting Mayor of Jersey City. I have read the foregoing amended complaint and the matters and things therein set forth are true to the best of my knowledge, information and belief, The plaintiff, City of Jersey City, brings this action against the United States of America, the Interstate Commerce Commission (hereinafter sometimes called the Commission), and Hudson & Manhattan Railroad Company (hereinafter sometimes called the Railroad), for the purpose of enjoining, setting aside and annulling the orders of the Commission decided June 8, 1943 (attached hereto as Exhibit 2), and November 2, 1943 (attached hereto as Exhibit 7), in the proceedings entitled "Investigation and suspen-

sion Docket No. 4394, Passenger Fares of Hudson & Manhattan Railroad Company":

1. The jurisdiction of this Court over this action is under an' pursuant to the provisions of Section 41, subdivision (28), and Sections 43 to 48, inclusive, of Title 28 of the United States Code.

2. Plaintiff is a municipal corporation in the County of Hudson and State of New Jersey, and is a body politic. The matter covered by said order of the Commission arose in the District of New Jersey.

3. The defendant, United States of America, is sued pursuant to express authority of the Congress of the United States, as provided in Sections 43 to 48 of Title 28 of the United States Code.

The defendant, Interstate Commerce Commission, is an administrative commission existing under and by virtue of the Interstate Commerce Act, United States Code, Title 49, and is specifically charged with the administration and enforcement of the provisions of said act.

The defendant, Hudson & Manhattan Railroad Company is a common carrier by railroad engaged in the transportation of passengers in interstate commerce, subject to the provisions of the Interstate Commerce Act, United States Code, Title 49, Chapter I, part I, except those provisions which by their terms are not applicable to the interurban electric railway operated by the Hudson & Manhattan Railroad Company, and the order, hereinafter complained of, permits this railroad to increase its fares.

4. The defendant, Hudson & Manhattan Railroad Company is a consolidated corporation organized and existing under and pursuant to the laws of the States of New York and New Jersey, having a residence and its statutory office in the District of New Jersey. The railroad transports passengers only, and does not transport baggage, freight or express matter.

5. The railroad properties consist of an underground rapid transit passenger railway, furnishing transportation facilities between points in uptown and downtown New York City and points in Jersey City and Hoboken, New Jersey. The railroad operates its trains in two services commonly referred to as the downtown line and the uptown line.

On the downtown line the trains operate (a) between the downtown terminal at Hudson Terminal, New York City, on the one hand, and on the other the New Jersey stations of [fol. 95] Exchange Place, Grove and Henderson Streets and Journal Square, and (b) between the downtown terminal at Hudson Terminal on the one hand, and on the other the New Jersey stations located at Exchange Place, Erie Station and Hoboken.

On the uptown line the trains operate (a) between the New Jersey stations of Hoboken on the one hand, and on the other New York City stations of Christopher Street, 9th Street, 14th Street, 19th Street, 23rd Street and 33rd Street and (b) between the New Jersey stations at Journal Square, Grove and Henderson Streets and Erie Station, on the one hand, and on the other the New York City stations located at Christopher Street, 9th Street, 14th Street, 19th Street, 23rd Street and 33rd Street.

The railroad also operates, in conjunction with the Pennsylvania Railroad, a joint rapid transit electric train service between the downdown terminal at Hudson Terminal, New York, and the station of the Pennsylvania Railroad at Market Street, Newark, New Jersey. The trains in this joint service operate over the lines of the railroad between the downtown terminal, Hudson Terminal at New York City, and the Journal Square station, Jersey City, and from that point over a line owned by the Pennsylvania Railroad to the latter's station at Market Street, Newark, New Jersey.

6. On July 31, 1937, the railroad issued, published and filed, with the Commission, its local passenger tariff designated as I. C. C. No. 42, to become effective September 1, 1937, providing for the establishment of a fare of ten cents for the interstate transportation of passengers on the railroad's downtown line as aforesaid, in lieu of a fare of six cents previously published and maintained in force and effect. Said tariff provided for no changes in the fare then in effect for interstate transportation on the uptown line previously and then established at ten cents.

As a result of protests filed by plaintiff and others in New Jersey the effectiveness of the aforesaid tariff was suspended and the lawfulness of the proposed increase in the downtown fare was made the subject matter of a proceeding instituted by the Interstate Commerce Commission in Investigation and Suspension Docket No. 4394.

7. After due hearing the Commission on July 11, 1938, found, 227 I. C. C. 741, that the proposed increase from six cents to ten cents in the passenger fare maintained by the railroad on its downtown line had not been justified, but that an eight-cent fare had been justified. A fare of eight cents on the downdown line became effective July 25, 1938, and has since been maintained. The Commission in its original report and order, 227 I. C. C. 741, made three paramount findings:

(1) "From the standpoint of the cost of the service to respondent, therefore, as well as of the value of the service to the passenger, it would seem that if ten cents is a maximum reasonable fare for the uptown service, the reasonable fare for the downtown service must be something less than ten cents." 227 I. C. C. 741, 754.

(2) "If respondent should feel impelled to seek a further increase in revenue it should consider doing so on interline traffic." 227 I. C. C. 741, 762.

(3) "The proposed fare of ten cents would be unreasonable under the Act and has not been justified." 227 I. C. C. 741, 762.

8. Following the promulgation of the report and order of July 11, 1938, 227 I. C. C. 741, as aforesaid, the railroad company appealed to the courts to enjoin the same. It filed its bill in the Southern District of New York seeking to enjoin the order of the Commission, but said action was dismissed by the District Court of the Southern District of New York because of improper venue, the court holding that proper venue was in the District of New Jersey, *Hudson & M. R. Co.* v. *U. S.*, 28 Fed. Supp. 137. Thereupon the railroad company filed its bill in the United States District [fol. 96] Court for the District of New Jersey. The order of the Commission accompanying the original report was upheld by the United States District Court for the District of New Jersey, *Hudson & M. R. C.* v. *United States*, 33 Fed. Supp. 495, which was affirmed by the Supreme Court, *Hudson & Manhattan R. Co.* v. *U. S.*, 313 U. S. 98.

9. Upon petition of the railroad of July 27, 1942, for further hearing and for leave to publish and charge a ten-cent fare on the downtown line by reason of alleged changed conditions, the proceeding was reopened for further hearing

by the Interstate Commerce Commission. Such further hearing was held and as a result thereof the Commission issued its decision on June 8, 1943, 255 I. C. C. 649, affirming its original conclusion that the proposed fare of ten cents would be unjust and unreasonable and has not been justified. The Commission further concluded that an increased local fare of nine cents on the railroad's downtown line had been justified for application during the remaining period of the war and six months after its termination.

10. In promulgating its report and order of June 8, 1943, as aforesaid, the Commission made the following specific findings:

(1) "That under normal circumstances the saturation point in increased fare (referring to the eight-cent fare) on that traffic (downtown) has about been reached."

(2) "If respondent (railroad) has availed itself of the authority granted by our order of January 21, 1942, in *Increased Railway Rates, Fares and Charges, 1942, supra,* the downtown fare would now be nine cents. An increase to that amount would be consistent with that decision."

(3) "While there can be little doubt that under present conditions further increase in this (eight-cent) fare, even to ten cents, would result in additional net revenue, we are convinced that it would be unreasonable to expect the entire burden of the revenue increase to be borne by the downtown local passengers, and that a substantial portion thereof should be sought through increased divisions on the interline traffic."

(4) "Moreover, while the fares and charges for commutation service of carriers serving the New York metropolitan area are not uniform, those of carriers other than respondent portrayed on this record afford stronger support, differences in transportation services considered, for either an eight-cent or a nine-cent fare than for a ten-cent fare on the downtown line of respondent."

11. The railroad on July 8, 1943, filed a petition for reconsideration and modification of the findings made by the

Commission in its report on further hearing, dated June 8, 1943. That petition sought, through the medium of an affidavit attached thereto and made a part thereof, to secure modification of the Commission's order because of an alleged disability on the part of the railroad to collect the nine-cent fare on the downtown line with its available fare collection system. By this petition the railroad sought, pending the procurement of tokens which were to be sold at eleven for one dollar with an alternative cash fare of one dime, that it be authorized to charge, on the downtown line, a cash fare of ten cents. Such cash fare of ten cents was to continue in effect indefinitely until necessary tokens were acquired and alterations were made in the fare-collection boxes. In connection therewith, the railroad proposed that if its request were granted it would reduce the fare on the uptown line from ten cents per passenger to eleven tokens for one dollar, with an alternative cash fare payable only by a dime.

12. The plaintiff, on July 14, 1943, replied to the railroad's petition and in requesting denial thereof prayed that if any affirmative action be taken by the Commission, the proceeding be set for further hearing to give all parties their requisite day in Court on the new matters herein alleged and thereby afford the plaintiff its right of cross examination.

[fol. 97] 13. On August 3, 1943, upon the facts as aforesaid, without according the parties further hearing, the Commission issued its report on reconsideration. Such report affirmed the prior conclusion that the proposed fare of ten cents had not been justified for general application on the downtown line but permitted an increased local fare on the downtown line based on the alternative basis of eleven tokens for one dollar or a cash fare of ten cents, payable by a dime. Such permissive increase was coupled with the proviso that contemporaneously with the establishment and maintenance of the increased downtown fare the same alternative basis, namely, eleven tokens for one dollar or a cash fare of ten cents, payable by a dime, be established and maintained on interstate traffic on the uptown line.

14. In so providing for increased fares on the downtown line whereby the regular patron or so-called commutation passenger would be required to pay nine and one-eleventh

cents per ride, and the occasional rider ten cents per ride in lieu of the nine-cent fare theretofore found to be the reasonable maximum figure, the Commission in its report and order of August 3, 1943, stated:

> "The proposed alternative basis will not increase to any material extent the relative transportation burden of the local commuters on the downtown line beyond that anticipated by our authority as granted in the prior report. We there found that it would be unreasonable to expect the entire burden of the revenue increase to which respondent is entitled to be borne by the downtown local passengers, and that a substantial portion thereof, for the reasons herein stated, should be sought through increased divisions on the traffic interchanged with the Pennsylvania Railroad Company. In its petition respondent states that it will undertake to seek promptly such increased divisions on that traffic as shall be adequate."

In the original report and order of the Commission made July 11, 1938, 227 I.C.C. 471, the Commission found that if the railroad "should feel impelled to seek a further increase in revenue (over and above an eight-cent downtown fare therein prescribed) it should consider doing so on interline traffic." The Commission's decision containing such admonition was upheld by the District Court for the District of New Jersey, *Hudson & M. R. Co. v. U. S., supra*, and affirmed by the Supreme Court of the United States, *Hudson & Manhattan R. Co.* v. *U. S., supra.* A similar directive to the railroad to increase its revenue through an adjustment of its interline division with the Pennsylvania Railroad appeared in the Commission's report and order of June 8, 1943, 255 I. C. C. 649 and again in its report and order of August 3, 1943.

The Commission acted arbitrarily and capriciously in permitting the railroad to increase the burden imposed upon the local downtown passenger in view of the carrier's dereliction to abide by the directive of the Commission to obtain additional revenue from increased divisions from interline traffic.

15. To the extent that the Commission permits the railroad to deliberately disregard the directive, contained in all

of the reports and orders, as aforesaid, requiring the railroad to increase its revenues through proper adjustments of interline accounting with the Pennsylvania Railroad, and in lieu thereof permits increases in the local downtown fare notwithstanding the Commission's own statement, "that it would be unreasonable to expect the entire burden of the revenue increase to which respondent is entitled to be borne by the downtown local passengers," the Commission acts arbitrarily, disregards the evidence, and transcends the authority vested in it in the administration of the Act.

16. The Commission, in authorizing local downtown fares in excess of the nine-cent fare stated to be the reasonable maximum charge in the report and order of June 8, 1943, 255 I. C. C. 649, does so wholly because of an alleged [fol. 98] carrier disability. As to such alleged carrier disability the plaintiff herein has been deprived of its full day in Court by not having been given an opportunity to cross examine witnesses, refute and otherwise present counter evidence, and the order was entered without due process of law. To the extent that the Commission considered such matters in this regard, it acted arbitrarily and beyond the realms of proper judicial procedure.

17. To the extent that the Commission relegates the right of the passenger to a reasonable fare to a position subordinate to an alleged carrier disability, the Commission disregards established law, that every passenger is entitled to a reasonable fare. The carrier's disability does not justify the assessment of unreasonable fares or charges.

18. The Commission, in part, justifies the increased downtown fare by the reduction in the uptown fare from ten cents to eleven tokens for a dollar or in the alternative a ten-cent fare payable only by a dime. In so doing the Commission commits grevious error of law. A passenger is entitled to a reasonable fare over any branch or line of the service irrespective of the fares or level of fares on other services thereof.

19. In requiring the establishment of an uptown fare of eleven tokens for one dollar or in the alternative a cash fare of ten cents payable only by a dime and permitting the establishment of the same fare on the downtown line the Commission wholly and completely disregards the evidence

and facts of record by which it arrived at the conclusion that:

> "From the standpoint of the cost of the service to respondent, therefore, as well as of the value of the service to the passenger, it would seem that if ten cents is a maximum reasonable fare for the uptown service, the reasonable fare for the downtown service must be something less than ten cents"

and in so doing the Commission disregards and overrules the Supreme Court of the United States, *Hudson & Manhattan R. Co.* v. *U. S.*, 313 U. S. 98.

20. The basic findings of the Commission in its report and order of August 3, 1943, are unsupported by any probative evidence of record. Such basic findings flow from the acceptance of the carrier contention of alleged disability. However, even assuming that the facts were properly and judiciously in evidence, they are inadequate, as a matter of law, to support the Commission's ultimate findings. A fare in excess of nine cents, theretofore found to be unreasonable does not *ipso facto* become reasonable and proper because of a carrier disability.

21. On September 13, 1943, the City of Jersey City filed a complaint in the United States District Court for the District of New Jersey, having for its purpose the enjoining of the report and order of August 3, 1943. Application was made, upon filing said bill, for a temporary restraint against putting into effect said order and a statutory court was duly established to hear said application.

22. By order dated September 18, 1943, and prior to hearing of the application for a temporary restraint, the Interstate Commerce Commission reopened the instant proceeding for further hearing "to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modifications made by the Commission in its report of August 3, 1943, on further consideration of its prior findings and orders of July 11, 1938, and June 8, 1943," and to afford "any party hereto * * * the right to cross examine adverse witnesses." Such reopening was occasioned wholly by the filing of the complaint by the City of Jersey City, as aforesaid, "out of an abundance of caution," language of the Interstate Commerce Commission in its report and order dated November 2, 1943.

[fol. 99] The Interstate Commerce Commission order of reopening, dated September 18, 1943, as above described, by the terms thereof, specifically limited the scope of the rehearing wholly and solely to permit the railroad to establish such evidence of changed conditions since the previous hearings as would improve their position in the proceeding. By the same token and at the same time, the Commission's order of September 18, 1943, as defined by the trial examiner, specifically limited and precluded the other parties to the proceeding, which includes the plaintiff herein, from offering any evidence or testimony relative to changed conditions that occurred since the previous hearings which would establish the lack of need, by the railroad, for any revenue over and above that produced by the existing eight-cent local downtown fare.

23. This proceeding before the Interstate Commerce Commission was and is wholly and solely a revenue proceeding. The railroad seeks authorization to increase its existing fares for the sole purpose of providing additional revenue which it claims it needs. The railroad's position, as indicated in the decision of the Interstate Commerce Commission of June 8, 1943, is that:

> "under present fares (eight cents on the local downtown line and ten cents on the uptown line) it would be necessary for its annual traffic to increase by about 30 per cent over that of 1941 in order to meet the current interest requirements on its bonded indebtedness."

The plaintiff endeavored to submit proof that the railroad's patronage had been increased by an amount in excess of 30 per cent, 1943 over 1941, and that no additional revenue was necessary or could properly be prescribed over and above that resulting from the existing eight-cent local downtown fare, but the Commission declined to receive any proof offered by the plaintiff in this regard. Moreover, if any additional revenue is needed by the railroad, which the record disputes, such revenue should be obtained through increased divisions of the interline traffic following the directives of the Interstate Commerce Commission as set forth hereinbefore.

24. To the extent that the Commission precluded the plaintiff from bringing the stale record down to date with

respect to the railroad's patronage and need for revenue, the Commission acted arbitrarily and capriciously and deprived the plaintiff of its full day in Court with respect to that reopened proceeding, and denied plaintiff due process of law under the Federal Constitution.

25. Because of the inability of the parties to the proceeding before the Interstate Commerce Commission to present testimony and evidence relative to changed circumstances and conditions, petitions for further hearing were presented by the protestants before the Interstate Commerce Commission but such petitions were denied on November 2, 1943, because the Commission stated that:

> "We have no reason to believe that, if the additional hearing sought were held, we would feel warranted in modifying our findings as made in the second report."

To the extent that the Commission prejudges and prophesies its findings that would result from a hearing not yet held the Commission acts arbitrarily, capriciously and beyond the scope of proper judicial proceeding, and is guilty of an abuse of discretion.

26. The Order of the Interstate Commerce Commission dated June 8, 1943, is in itself illegal and reflects conclusions arbitrarily made without proper support in the record, in that the Commission authorized an increase in fares from eight to nine cents predicated upon an alleged revenue need of the carrier without in effect finding that revenue was needed and that such revenue should be obtained from [fol. 100] the local downtown passengers. As a matter of fact, the Commission found that any increase in revenue should be provided by the joint interline traffic through the medium of increased divisions to the Hudson & Manhattan Railroad. Moreover, the Commission predicated its order of June 8, 1943, authorizing the increase from eight to nine cents upon the fact that it had previously authorized railroads operating in interstate commerce, parties to a proceeding before it known as *Exparte* 148, *Increased Railway Rates, Fares and Charges*, 1942, 248 I. C. C. 545, "to increase passenger fares by an amount of 10 per cent and freight rates by an amount of 6 per cent." The defendant, Hudson & Manhattan Railroad Company was named originally as a party in *Ex Parte* 148, but upon its own motion the railroad company was eliminated as a party to the pro-

ceedings and this, upon the ground that the railroad company refused to be bound by any order which the Interstate Commerce Commission might make in those proceedings predicated upon the evidence produced therein. Subsequent to the Interstate Commerce Commission decision in *Ex Parte* 148, and upon petitions filed by interested parties, the Interstate Commerce Commission found that the railroad carriers operating in interstate commerce in the United States no longer required increased revenues and that accordingly there was no justification for the maintenance of the *Ex Parte* 148, increases. Accordingly the Interstate Commerce Commission ordered the railroads to cancel from their tariffs the 6 per cent increase authorized on freight traffic. Concurrently, the Commission found that while the rail carriers offered no justification for the continuance of the 10 per cent increase on passenger fares, nevertheless, it deemed its continuance in the interest of the National Defense program in that the removal of the 10 per cent increase in passenger fares, which was no longer justified, would tend to attract and otherwise induce augmented passenger patronage to the railroads, which was not desirable, and in order to discourage any increase in transportation of passengers the Interstate Commerce Commission continued the 10 per cent increase on passenger traffic.

Notwithstanding the facts stated above, the Interstate Commerce Commission in its order of June 8, 1943, in this case predicated the increase in the railroad local downtown fare from eight to nine cents upon the statement that "an increase to that amount would be consistent with that decision," referring to the decision in *Ex Parte* 148. Such increase, however, is not consistent with that decision in that:

(a) The Hudson & Manhattan Railroad Company was not a party to the proceeding in *Ex Parte* 148;

(b) The revenue position of the Hudson & Manhattan Railroad is specifically set forth in the record in this proceeding and does not justify any increase in fares; and

(c) The record in this proceeding establishes, and all parties agree, that the traffic of the Hudson & Manhattan Railroad is predominantly that of commuters occupying a situation wholly distinct and different from

the general passenger patronage of railroads generally in the United States, and accordingly such commuter traffic cannot be treated in the light of conditions affecting railroad passenger patronage generally in the United States. Commuter traffic cannot be curtailed by levy in the form of increased and exorbitant fares.

27. Plaintiff further alleges and charges that in making its findings of November 2, 1943, wherein the Commission reiterated the findings previously made by it in its report and order of August 3, 1943, the Commission merely went through the motions of giving protestants its day in Court. The Commission's findings authorizing an increase in the local downtown fare to an alternative fare basis of eleven tokens for one dollar or a cash fare of one dime conditioned upon the establishment and manitenance of the same alternative fare basis on the uptown line was predicated, (1) upon the alleged inability of the railroad to collect a nine-[fol. 101] cent fare in its present coil collecting facilities, and (2) upon the fact that such alternative fare basis is the only practical method of collecting fares to be used universally on the railroad. The testimony in evidence upon which these findings were made were nebulous in character and fraught with contradictions.

The Commission in finding that it is impracticable for respondent to collect a cash fare of nine cents does so in the face of testimony and evidence of the railroad that it is physically possible so to do with the existing mechanical devices merely by removing the fare-counting mechanism presently contained in the collecting devices. The Commission entirely and completely disregards this evidence as it does also the fact that rapid transit lines throughout the country make fare collections in coin receptacles that do not have counting devices. To the extent that the Commission disregarded this evidence and testimony and refused to make any findings with respect to the railroad's ability to collect the nine-cent fare in its present mechanism it acted arbitrarily, capriciously and beyond the scope of its delegated authority, and was guilty of a gross abuse of discretion.

28. While finding that the alternative fare collection is the only practical method available to the railroad for universal application on its facilities, the Commission completely dis-

regards and discards the railroad's own testimony of record that such token arrangements cannot possibly be used on its intrastate facilities. To the extent that the Commission disregards and discards this evidence and testimony, it commits grievous error of fact and law.

29. The prescription by the Interstate Commerce Commission of a uniform scale of fares on both the uptown and downtown lines completely disregards and overrules the previous findings made by it, the Federal Courts and the United States Supreme Court on precisely the same factual situation. To this extent the Commission acted arbitrarily, capriciously and beyond the scope of its delegated authority. In so doing the Commission entirely disregarded the facts of record which portray the related services accorded to the passenger, the cost of the service to the railroad, and the value of the service to the passenger.

30. In view of all of the facts hereinbefore set forth the orders of the Commission of June 8, 1943, and November 2, 1943, were arbitrary and capricious without foundation in law, based upon errors of law, and without adequate findings or any evidence to support them and contrary to the evidence of record, and in violation of the Interstate Commerce Act, and in violation of the specific interpretations of the governing law, made by the Federal Courts, including the United States Supreme Court, and accordingly the Commission acted in so arbitrary and unreasonable a manner as to render its orders, although within the form of its delegated power, void.

31. The effectiveness of transportation fares on the downtown line in excess of the reasonable maximum fare of eight cents will create an undue and unjust burden upon the local downtown passenger in violation of the Interstate Commerce Act, and unless the enforcement, operation and execution of the Commission's orders of June 8, 1943, and November 2, 1943, are restrained will cause plaintiff and the members of its body politic great damages as aforesaid for which plaintiff has no adequate remedy at law.

32. Attached hereto and made a part hereof, as Exhibits, are the following:

Exhibit No. 1. The report and order of the Interstate Commerce Commission dated July 11, 1938, reported at 227 I. C. C. 741.

[fols. 102-170] Exhibit No. 2. The report and order of the Interstate Commerce Commission dated June 8, 1943, reported at 255 I. C. C. 649.

Exhibit No. 3. The report and order of the Interstate Commerce Commission dated August 3, 1943.

Exhibit No. 4. The petition of the Hudson & Manhattan Railroad Company dated July 8, 1943, for Reconsideration and Modification of the Findings Made by the Commission in its Report on Further Hearing.

Exhibit No. 5. Reply of Protestants dated July 14, 1943, to the petition of the Hudson & Manhattan Railroad Company dated July 8, 1943.

Exhibit No. 6. Order of the Interstate Commerce Commission, dated September 18, 1943, reopening the proceeding for further hearing and circumscribing the plaintiff's right to produce evidence.

Exhibit No. 7. The report and order of the Interstate Commerce Commission dated November 2, 1943.

(Sgd.) Arthur Potterton.

Sworn and subscribed to before me at Jersey City this November 15, 1943. (Sgd.) Ann G. Hogan, Notary Public of New Jersey.

[fol. 171] In the United States District Court

[Title omitted]

Notice of Motion for Leave to File and Serve Petition (Complaint)—Filed November 19, 1943

To: the Attorney General of the United States, at Washington, D. C., and Hon. Charles M. Phillips, United States Attorney for the District of New Jersey, Attorneys for United States of America;

Daniel W. Knowlton, Esq., Chief Counsel and E. M. Reidy, Assistant Chief Counsel, Attorneys for Interstate Commission;

Collins & Corbin, Esqs., John Finerty, Esq., and John E. Buck, Esq., Attorneys for Hudson & Manhattan Railroad Company;

Charles A. Rooney, Esq., Attorney for City of Jersey City.

SIRS:

Please Take Notice, that the undersigned will move this Court on behalf of the intervenors, Office of Price Administration and Director of Economic Stabilization, on the 19th day of November, 1943, at 10:30 o'clock in the forenoon, or as soon thereafter as counsel can be heard, at the Court Room of the United States District Court for the District of New Jersey, Post Office Building, Newark, New Jersey, upon the complaint filed herein and upon all proceedings heretofore had herein for an order granting leave to intervenors to file and serve the annexed petition (complaint), and for such other and further relief as to this Court may be just and proper in the premises.

Respectfully submitted, Fred M. Vinson, Director of the Office of Economic Stabilization, by Chester Bowles, Price Administrator of the Office of Price Administration. Henry Hart, Jr., Acting General [fol. 172] Counsel. David F. Cavers, Assistant General Counsel; Harry R. Booth, Utilities Counsel; Robert S. Keebler, Attorney, Office of Price Administration, Washington, D. C.

Nathan L. Jacobs, District Enforcement Attorney, Newark Office of Price Administration.

[fol. 173] IN THE UNITED STATES DISTRICT COURT

[Title omitted]

PETITION OF FRED M. VINSON, DIRECTOR OF THE OFFICE OF ECONOMIC STABILIZATION, BY CHESTER BOWLES, PRICE ADMINISTRATOR OF THE OFFICE OF PRICE ADMINISTRATION, FOR LEAVE TO INTERVENE, FOR AN INTERLOCUTORY INJUNCTION AND FOR OTHER RELIEF—Filed November 19, 1943

Comes Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator of the Office of Price Administration, and petitions the court that he be granted leave to intervene and become a party to the proceeding under the amended and Supplemental Complaint filed by the plaintiff herein; and in this connection your petitioner shows that:

1. By virtue of Executive Order No. 9250 issued October 3, 1942, the Director of the Office of Economic Stabilization

is the agency designated by the President to receive notice of any increase in the rates or charges of common carriers or other utilities, pursuant to the Emergency Price Control Act of January 30, 1942, as amended October 2, 1942 (Public Laws 421 and 729, 77th Congress, 2nd Session); and your petitioner Fred M. Vinson is the duly appointed and acting Director of said Office of Economic Stabilization.

2. By Directive No. 1 issued by the Economic Stabilization Director on October 14, 1942, the Price Administrator of the Office of Price Administration was designated as the representative of said Director to receive notices of increases in common carrier or other public utility rates and charges, with authority to intervene and participate in proceedings before Federal, State and municipal authorities in connection with proposed increases in such rates and charges; and the said Chester Bowles is the duly appointed and acting Price Administrator of said Office of Price Administration.

3. Said Price Control Act (as amended) was enacted pursuant to the war power of the federal government, and [fol. 174] provides that prices, wages and salaries shall be stabilized so far as practicable on the basis of the levels which existed on September 15, 1942, with adjustments only to the extent necessary to aid in the effective prosecution of the war or to correct gross inequities; that such policy is imperative in order to safeguard the national economy against the devastating effects of inflation during the war emergency, when employment and consumer purchasing power are at unprecedented levels and when the available supply of consumers' goods is drastically curtailed; that, in the application of said policy, price increases, however justifiable if viewed apart from their effect upon our national economy, may not be authorized during this critical emergency unless required to further the war effort or to correct gross inequities.

4. Pursuant to the aforesaid policy of the Congress the Price Administrator has fixed the prices of commodities essential to the life and welfare of our people, has stabilized rents, and has rationed scarce and vital commodities; that such steps have been necessary war measures despite the fact that sacrifices and hardships have resulted in many cases.

5. In stabilizing common carrier and other public utility rates and charges at September 15, 1942 levels by prohibit-

ing all general increases in such rates and charges unless and until 30 days' notice had been given to the President's designee and his timely intervention to protest such increases consented to, Congress intended that the existing regulatory agencies would carry out the stabilization program in the public utility and common carrier fields, that no increases would be made contrary to or without full effect to the stabilization legislation and policies.

6. The aforesaid Executive Order No. 9250, issued by the President on October 3, 1942, requires that all government departments shall cooperate in the execution of the stabilization policy enacted by the Congress on October 2, 1942; said order stating in part:

> The guiding policy of the Director and of all departments and agencies of the Government shall be to stabilize the cost of living in accordance with the Act of October 2, 1942; and it shall be the duty and responsibility of the Director and of all departments and agencies of the Government to cooperate in the execution of such administrative programs and in the development of such legislative programs as may be necessary to that end. The administration of activities related to the national economic policy shall remain with the departments and agencies now responsible for such activities, but such administration shall conform to the directives on policy issued by the Director.

Subsequently on April 8, 1943 the President issued Executive Order No. 9328, in which he directed the responsible [fol. 175] agencies of the government to take immediate and urgent steps "to prevent increases in wages, salaries, prices and profits, which, however justifiable if viewed apart from their effect upon the economy, tend to undermine the basis of stabilization." Said order states in part:

> The attention of all agencies of the Federal Government, and of all State and municipal authorities, concerned with the rates of common carriers or other public utilities, is directed to the stabilization program of which this order is a part so that rate increases will be disapproved and rate reductions effected, consistently with the Act of October 2, 1942, and other applicable federal, state or municipal law, in order to keep down

the cost of living and effectuate the purposes of the stabilization program.

7. The Interstate Commerce Commission in the instant proceeding relating to the petition of the Hudson and Manhattan Railroad Company to make a general increase in its downtown fare from 8 to 10 cents, was under a legal duty, both under its own statute and under the Act of October 2, 1942 to give full force and effect to the government's stabilization program and to deny any rate increase over and above the rate, fares and charges in effect on September 15, 1942, unless it clearly appeared that such increase was necessary after giving full and complete consideration to the improvement in the company's operations, revenues and income as a result of the war and the restrictions imposed on competitive forms of transportation.

8. Pursuant to the aforesaid Act of October 2, 1942, and procedural regulations thereunder, the defendant Hudson & Manhattan Railroad Company under date of November 9, 1942, served formal notice on your petitioner of its application pending before the Interstate Commerce Commission under "Investigation and Suspension Docket No. 4394" for authorization of a 10-cent fare on its downtown line between Hudson Terminal, New York, New York, and Jersey City and Hoboken, New Jersey, and consented to his timely intervention and in such proceeding.

Your petitioner intervened as a protestant in said proceeding, filing a written brief and participating in the oral agreement in opposition to any increase in the existing 8-cent fare, on the ground that such increase would be inflationary and in violation of the standards imposed by the Interstate Commerce Act and the national policy of economic stabilization; notwithstanding which, the Commission on June 8, 1943, made its report and order authorizing said carrier to increase its downtown fare from 8 to 9 cents.

9. Your petitioner likewise participated in the supple- [fol. 176] mental proceeding arising out of the carrier's petition filed July 8, 1943, for "reconsideration and modification" of the Commission's June 8 order, wherein the carrier sought authorization to substitute a uniform cash fare of 10 cents and an alternative token fare (on the basis of eleven tokens for one dollar), in lieu of the authorized 9-cent downtown fare and the 10-cent uptown fare, on the ground that

physical limitations of the fare collection boxes used by said carrier made it impossible to collect and count a 9-cent cash fare on the downtown line without causing serious public inconvenience through stoppages and detentions of passengers.

In his answer filed July 19, 1943, to the carrier's supplemental petition aforesaid, your petitioner opposed the proposed modification in rates on the ground that such modification would result in additional inflation, and your petitioner requested that the Commission reconsider its June 8 order and restore the downtown fare to the 8-cent level, stating:

> In view of Petitioner's tremendously improved current earnings, it is requested that this Commission reconsider its previous modification of its original order, and return Petitioner's downtown fares to the original level of 8 cents. This will serve the national program to keep down the cost of living.

Your petitioner further opposed entry of a supplemental order by the Commission modifying its June 8 order as proposed, unless after notice and hearing, in conformity with the requirements of due process of law.

10. Upon the entry by the Commission on August 3, 1943, of a supplemental report and order authorizing the further increase in the downtown fare as proposed in the carrier's aforesaid petition, your petitioner was prepared to file an intervening petition in the proceeding instituted upon the Original Complaint of the plaintiff City of Jersey City herein; but refrained from doing so when the Commission on September 18, 1943, issued an order reopening the proceeding before it for further hearing "to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modification made by the Commission in its report of August 3, 1943."

Your petitioner excepted to the restrictions and limitations imposed by the Commission's aforesaid order for supplemental hearing, insisting at the outset of the hearing and repeatedly throughout the hearing that same should be broad enough to include evidence of the carrier's revenues, expenses and earnings since the closing of the original hearing in the proceeding.

Your petitioner further excepted to the arbitrary interpretation given by the trial examiner to the Commission's [fol. 177] order of September 18 reopening the hearing, who refused to receive any testimony with respect to the carrier's revenue except testimony relating strictly to the difference in revenue resulting from the authorized cash fares, on the one hand, and the combination cash and token fares, on the other.

Attached hereto as Exhibit A and made a part hereof are excerpts from the record of said supplemental hearing showing the narrow scope of said hearing and the restrictive rulings of the examiner, under which your petitioner was denied a full and fair hearing, as is required by said Act of October 2, 1942.

Attached hereto as Exhibit B and made a part hereof is a "Condensed Income Statement" of said carrier covering the months of July 1942 and July 1943 and the first seven months of 1942 and 1943, respectively; which exhibit was excluded from the record and which demonstrates not only the rapidly improving financial position of the carrier, even after all of its alleged operating expenses, but also that at the existing 8 cent fare the company is earning more than the Commission anticipated the carrier would at the 9 cent fare in its order of June 8, 1943. The exhibit also proves that had the entirely unwarranted $20,000 per month self-insurance cost been eliminated, the carrier would earn at the existing 8 cent fare far in excess of *all* interest charges, a condition not anticipated at the 9 cent fare, by the Commission in said order.

11. Even on the basis of the evidence contained in the record of supplemental hearing, improperly restricted as it was, your petitioner showed:

(a) That the number of revenue passengers has increased from 65,847,289 in 1941 (Ex. No. 5-R, sheet 1) to 83,500,000 based on evidence submitted by the Company (estimated on the basis of 8 months' operations) in 1943 (R. 2214).

(b) That no diversion of passengers is expected by the Company as a result of the increased fares, because of prevailing war conditions (R. 2055).

(c) That the carrier's estimate that 90 percent of its passengers will use the token fares is grossly excessive; and on

the basis of the only probative evidence in the record, the ATA Study,[1] a token utilization of 38.8%±2.8% can be expected in over 95 out of 100 instances, under the token system proposed by the company. Also, a spot check to bring the ATA Study to date, indicates that the ATA Study applies to the carrier under current conditions. A simple calculation, based on facts in the record will show that unless 74% or more of all of the passengers purchase tokens, the carrier will derive a financial advantage by [fol. 178] the substitution of the cash and token fare system for the previously authorized 9 cent fare. The Commission's calculation of a possible 79% token utilization (Order Sheet 7) is the result of errors in arithmetical calculation, and has no support whatever in the record.

(d) That the carrier has been guilty of laches in failing to prosecute its just claim against the Pennsylvania Railroad Company for a more equitable reapportionment of interline fares, to which reapportionment the Commission itself stated in its 1938 rate order the carrier must look for additional revenue in lieu of seeking to increase its downtown fare above the 8-cent level (R. 2105-2112).

12. Because of the restrictive scope of the supplemental hearing held pursuant to the Commission's order of September 18, 1943, your petitioner on October 14, 1943, filed with the Commission a written motion for modification and amendment of said order and for the reopening of the proceeding to permit your petitioner to introduce the evidence excluded by the examiner at said supplemental hearing and such additional evidence as might be necessary in order to bring said record, now in an obsolete and stale condition and originally closed on September 19, 1942, down to date. A copy of said Motion, marked Exhibit C, is attached hereto and made a part hereof.

This motion was overruled and disallowed by the Commission in its "Second Report on Further Hearing" issued on November 2, 1943, wherein the Commission granted the petition of the carrier to substitute uniform token and cash fares on its downtown and uptown lines in lieu of the theretofore authorized cash fares.

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[1] Committee on Fare Structures Report, American Transit Association, 1937 Proceedings, Exhibit 142.

13. Your petitioner contends that in its rulings, findings and order aforesaid the Commission denied to your petitioner the right to a full and fair hearing to which he is entitled under the Act of October 2, 1942, aforesaid and under the standards properly applicable to hearings and proceedings before said Commission.

14. Your petitioner contends that in said rulings, findings and orders the Commission acted arbitrarily, capriciously and in violation of the standards imposed by the Interstate Commerce Act and by the aforesaid Act of October 2, 1942, and orders and directives thereunder, which the Commission was obligated to follow in its determination of just and reasonable rates under the emergency now prevailing.

In addition to its denial to your petitioner of a full and fair hearing, the Commission erred as a matter of law, even on the basis of the record before it:

[fol. 179] (a) In issuing its findings and order of June 8, 1943, authorizing an increase in the defendant carrier's downtown fare from 8 to 9 cents despite the facts that said carrier's normal competitors are subject to rigid wartime restrictions and its revenues and earnings are greater than they have been at any time since 1937.

(b) In failing to give due weight to the fact that, because of the great and continuing increase in the carrier's traffic and earnings during the war period, its earnings under the 8-cent fare may reasonably be expected to exceed, during the remaining war period, the amount which the Commission found adequate and reasonable in its 1938 rate order and also in its rate order of June 8, 1943.

(c) In failing to find that the carrier's special War Damage Reserve is unjustified as an operating expense and that such amount should in fact be considered a part of the carrier's net income.

(d) In accepting the carrier's contention, contrary to the evidence and on the basis of assumptions not supported by the record and despite the fact that all evidence as to current net earnings was excluded from the record, that the carrier's proposed alternative basis of cash and token fares can be expected to yield "no greater gross or net revenues

than would result under cash fares of 10 cents uptown and 9 cents downtown, if both of such fares were collectible."

(e) In finding in its Second Report on November 2, 1943, that the proposed token fare will result in no increase in the average cost per passenger above the level of fares theretofore authorized, since for the majority of riders, i. e. downtown riders, the fare is increased from 9 cents to *at least* 9 1/11 cents, and up to a maximum of 10 cents. In any event, the average fare to this majority of riders is bound to be in excess of 9 1/11 cents.

(f) In finding, on the unsupported opinion of the carriers officers that only the irregular or occasional passenger will pay the 10-cent fare.

(g) In finding, despite the fact that the record contains no evidence whatever on the subject, that the 10-cent cash fare compares favorably with the charges made for similar service by railroads generally.

(h) In authorizing an increase in the downtown fare beyond the level which the traffic would bear during normal times (see *Hudson & Manhattan Railroad Company* v. *United States*, 313 U. S. 98) merely because wartime restrictions on alternative and competitive lines of transpor-[fol. 180] tation, and the increased volume of traffic due to the war, have made it possible for the carrier to exact the higher fare without diminution of business.

(i) In failing to adhere to the sound conclusion reached in its 1938 rate order, that the carrier must look for additional revenue to a reapportionment of the interline fares rather than to any increase in its downtown fare above the 8-cent level; and in ignoring and condoning the carrier's laches and derelictions in failing to prosecute its claim for such reapportionment, as directed by the Commission in said 1938 rate order.

(j) In finding that an increase in the downtown fare may be compensated by a decrease in the uptown fare; and in equalizing said fares, contrary to the Commission's uniform prior findings that the carrier's uptown and downtown fares require a rate differential in favor of the downtown fare.

(k) In holding that the effect of the increase authorized in the downtown fare upon the cost of living "will be so

slight * * * as to be negligible" thereby disregarding the inflationary effect of said increases despite the recognized principle, as established by the holding of the Emergency Court of Appeals in the Lincoln Savings Bank case (137 Fed. (2d) 228), that the accumulative effect of individual increases however small would be disastrous to stabilization.

(l) In failing to find that any increase in the carrier's downtown fare above the 8-cent level existing on September 15, 1942, is unjust and unreasonable and contrary to the stabilization policy enacted by the Congress and orders duly issued thereunder.

(m) Because the Commission's findings and order were based upon a stale record in disregard of the rapidity of economic changes brought about by the war and, in particular, in disregard of the effect of the curtailment of competitive forms of transportation caused by war measures, upon the operations, revenues, and income of the company.

15. The orders of the Commission of June 8, 1943, and November 2, 1943, are arbitrary and capricious, without foundation in law, based upon errors of law, upon erroneous statutory standards and without adequate findings or any evidence to support them and contrary to the evidence of the record and in violation of the Act of October 2 and the Interstate Commerce Act and in denial of the right of your petitioner under the Act of October 2, 1942, and the Constitution of the United States to a full and fair hearing and accordingly said orders are arbitrary, unreasonable, illegal, and void.

16. In issuing its reports and rate orders of June 8 and November 2, 1943, aforesaid, the Commission committed [fol. 181] the further errors enumerated in the Amended and Supplemental Complaint of the plaintiff filed herein, which your petitioner adopts and reiterates by reference.

17. Unless said orders of June 8, 1943, and November 2, 1943, are restrained, your petitioner will be caused great and substantial injury in the performance of their duties under the stabilization legislation.

Wherefore, your petitioner prays:

First: That this petition be heard by a three judge court at the earliest available date; and that upon a hearing thereon,

the court issue an order granting leave to your petitioner to intervene and become a party herein.

Second: That pending the final hearing of this cause, the court issue an interlocutory and permanent injunction and restraint enjoining the defendants from so much of said orders of June 8 and November 2, 1943, as permits the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line.

Third: That upon final hearing the court adjudge, order and decree that said orders of June 8 and November 2, 1943, insofar as they permit the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line, are, and have at all times been, in violation of the Act of October 2, 1943, enacted by the Congress; and said orders are and have at all times been, beyond the lawful authority of said Commission, and wholly null and void; and that said orders be perpetually set aside and annulled and the enforcement thereof perpetually enjoined.

Fourth: That the Court grant to your petitioner such other and further relief as may be proper in the premises.

Respectfully submitted, Fred M. Vinson, Director of the Office of Economic Stabilization; By Chester Bowles, Price Administrator of the Office of Price Administration; Henry M. Hart, Jr., Acting General Counsel, David F. Cavers, Assistant General Counsel; Harry R. Booth, Utilities Counsel; Robert S. Keebler, Attorney, Office of Price Administration.

[fols 182-196] *Duly sworn to by Harry R. Booth. Jurat omitted in printing.*

* * * * * * * *

[fol. 197]

EXHIBIT "B" TO PETITION

Hudson & Manhattan Railroad Company—Condensed Income Statement [1]

	July			Seven months ended July 31		
	1943	1942	Increase or decrease	1943	1942	Increase or decrease
Gross Operating Revenue	$768,452.96	$687,531.97	$80,920.99	$5,430,759.96	$4,781,646.46	$649,113.50
Operating Expenses	548,326.92	474,724.53	73,602.39	3,857,396.15	3,245,580.75	611,815.40
Operating Income	$220,126.04	$212,807.44	$7,318.60	$1,573,363.81	$1,536,065.71	$37,298.10
Non-Operating Income	8,908.46	9,859.11	*950.65	67,113.15	73,210.15	*6,097.00
Gross Income	$229,034.50	$222,666.55	$6,367.95	$1,640,476.96	$1,609,275.86	$31,210.10
Income Charges Exclusive of Interest on Adjustment Income Bonds	138,535.90	143,928.01	*5,392.11	972,454.61	1,030,574.63	*53,120.02
Net Income Available for Interest on Adjustment Income Bonds	$90,498.60	$78,738.54	$11,760.06	$668,022.35	$578,701.23	$89,321.12
Interest on Adjustment Income Bonds Outstanding in the Hands of the Public—At 5 Percent	108,354.17	118,495.83	*10,141.66	775,804.17	829,820.83	*54,016.66
Deficit	$17,855.57	$39,757.29	*$21,901.72	[2]$107,781.82	[2]$251,119.60	$143,337.78

* Decrease.

[1] As reported by the company to the I. C. C. and without adjustment by interveners.

[2] If the War Damage Reserve charges of $20,000 per month be excluded the 1943 "Deficit" becomes a net of $32,218.18, and the 1942 7-month deficit is reduced to $111,119.60. The 1941 loss was allegedly $1,136,139; and for 1942 the loss claimed was $477,001.

[fol. 198] EXHIBIT "C" TO PETITION

BEFORE THE INTERSTATE COMMERCE COMMISSION

I. & S. Docket No. 4394

PASSENGER FARES, HUDSON & MANHATTAN RAILROAD

Motion of Fred M. Vinson, Economic Stabilization Director, by Prentiss M. Brown, Price Administrator, Protestant herein, for Modification and Amendment of Commission's Order of September 18, and for Reopening

Now comes Fred M. Vinson, Economic Stabilization Director, by Prentiss M. Brown, Price Administrator, protestant herein, and moves for modification and amendment of the Order of the Commission entered on September 18, 1943, reopening the above-entitled proceeding, and in support thereof states:

1. On July 8, 1943, the Commission entered its report and order in the above-entitled cause approving an increase in fares for the Hudson and Manhattan Railroad on its downtown lines from 8 cents to 9 cents, said increase to remain in effect for the duration of the war and six months thereafter. On July 8, the railroad filed a petition for reconsideration and modification of the findings made by the Commission requesting permission to institute cash fare of ten cents, eleven tokens for one dollar, for both its downtown and uptown lines.

2. On July 19, 1943, your protestant filed a brief with this Commission requesting the Commission to deny the request of the company to increase its fares on its downtown lines, and to reopen the proceeding for the purpose of determining whether the improvement in the traffic, revenues, and in net earnings of said railroad since the war and as a result of conditions arising out of the war, were not so great that no increases above the existing 8-cent fares would be necessary.

3. On September 18, 1943, the Commission entered an order in the above-entitled cause which provided in part as follows:

> It is ordered, that this proceeding be reopened for further hearing to permit any party hereto to present evidence directed solely to the propriety and lawfulness

of the modifications made by the Commission in its report of August 3, 1942, on further consideration of its prior findings and orders of July 11, 1938, and June 8, 1943; that at such further hearing any party hereto shall have the right to cross examine adverse witnesses, and, upon the conclusion of such hearing, any party so desiring may make oral argument before the examiner, but no further briefs shall be submitted, nor shall a pro- [fol. 199] posed report be issued, nor shall there be further argument before the Commission.

4. At the beginning of the hearings, Examiner Koch, who was designated as the Examiner in the above-entitled cause, stated as follows (R. 2034-2035):

The order of the Commission of September 18, 1943, which reopened this proceeding provides, and I am now quoting:

That this proceeding be reopened for further hearing to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modifications made by the Commission in its report of August 3, 1943, on further consideration of its prior findings and orders of July 11, 1938, and June 8, 1943;

That wording is plain that the evidence at this further hearing must be directed solely to the propriety and lawfulness of such modifications as were made in the prior findings of the report of August 3.

Those modifications were from a finding that a nine-cent downtown fare had been justified, as made in the report of June 8, to a finding as made on August 3, that an alternative downtown fare of 11 tokens for $1 or a cash fare of a dime had been justified with the proviso that contemporaneously the same alternative basis shall be maintained on the uptown lines.

In every other respect the prior findings of June 8 were affirmed.

Therefore, this further hearing under the Commission's order is restricted to evidence bearing upon the issue of whether or not those modifications in the prior finding, which had approved the downtown fare of 9 cents, shall stand.

We are not here retrying the lawfulness of the present 9-cent fare.

Said examiner further limited the scope of the hearing (R. 2149, 2215).

5. Counsel for the Stabilization Director and the Price Administrator, protestant herein, excepted to the ruling of the Examiner limiting the scope of the hearing (R. 2035-2036).

6. At the same hearing (R. 2144, ff.) counsel sought to examine a company witness in connection with the annual charge of approximately $240,000, representing war damage reserve, to determine whether such charges were necessary or required in view of change in war conditions, but objections to such cross-examination were sustained by the Examiner (R. 2145-2225).

7. Examiner Koch refused to admit or permit to be marked for identification an exhibit showing the income and [fol. 200] expenses of the railroad upon its own figures for the first seven months of 1943 and first seven months of 1942, and offered by a witness for the protestant (R. 2446-2447).

8. Counsel for the protestant stated if given an opportunity to demonstrate by presentation of evidence at the hearing, he would show that the earnings of the company, as a result of the war, at an 8-cent fare and for the full year of 1943 would exceed the amount which the Commission found to be adequate and reasonable in its 1938 order or its order of June 8, 1943, authorizing an increase (R. 2448 ff.). Such opportunity was denied.

9. While protestant prepared and presented testimony within the narrow scope of the reopened proceeding and the limited time allowed for the preparation of such testimony, protestant's request for additional time to present and prepare such testimony was denied by said Examiner.

10. The record upon the previous hearing was closed on September 19, 1942 (R. 1928) and hence is incomplete on the effect of the war and time restrictions relating to competitive forms of transportation upon the revenue and income of the company.

11. Protestant believes that the increase in rates over and above 8 cents on the downtown lines of respondent is not necessary, that the company's earnings under the existing

fares is adequate and that the increase in fares over and above the fares in effect on September 15, 1942, is contrary to and in conflict with the national stabilization program and policies of the government and will interfere with the efforts and duties of protestants to keep down the cost of living under such legislation. The denial by the examiner of the right to introduce evidence, and the order of September 18, 1943, limiting the scope of the hearing, denies your protestant the right to a full and fair hearing to which he is entitled under the Act of October 2, c. 578, 56 Stat. 765, 50 U. S. C. (App.).

Wherefore, protestant requests the Commission to modify and amend its order of September 18, 1943, to eliminate the restrictions heretofore imposed upon said reopened hearing, to reopen said proceeding for the purpose of receiving testimony and exhibits with respect to the revenues, income and expense of the company, in order that said record be brought up to date; including evidence and exhibits relating to the right and need of the company for an increase in [fols. 201-202] rates, charges and revenues over and above those in effect on September 15, 1942, under the Interstate Commerce Act, and the Act of October 2, 1942.

Respectfully submitted, Fred M. Vinson, Economic Stabilization Director; Prentiss M. Brown, Price Administrator, Office of Price Administration, by George J. Burke, General Counsel; David F. Cavers, Assistant General Counsel; Harry R. Booth, Utilities Counsel.

October 14, 1943. Office of Price Administration, Washington, D. C.

Certificate of Service

I hereby certify that I have served the foregoing document upon all parties of record in this proceeding by mailing a copy thereof properly addressed to each of their attorneys of record.

Dated at Washington, D. C., this 14th day of October 1943.

Harry R. Booth, Utilities Counsel.

[fol. 203] IN THE UNITED STATES DISTRICT COURT

[Title omitted]

ORDER GRANTING MOTION OF ECONOMIC STABILIZATION DIRECTOR FOR LEAVE TO INTERVENE—Filed November 24, 1943

It appearing to the Court that Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator, of the Office of Price Administration, having moved this Court on November 19th, 1943 by notice of motion dated the 16th day of November, 1943, for an order granting leave to said petitioners to intervene and become a party plaintiff herein; and for such other and further relief as to this Court may seem just and proper in the premises, and the motion having duly come before this Court on the 24th day of November, 1943.

Now therefore, on reading and filing the notice of motion herein, dated November 16, 1943 and the petition and exhibits thereto annexed and on proof of due and timely service thereof, and on all the pleadings and proceedings heretofore filed herein, and due consideration having been had,

It is:

Ordered, Adjudged and Decreed that the motion of the petitioners Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator of the Office of Price Administration for an order granting said petitioner leave to intervene herein, as a party plaintiff be and the same hereby is granted as of the 19th day of November 1943.

Thomas F. Meaney, Judge.

[fol. 204] [File endorsement omitted.]

[fol. 205] IN THE UNITED STATES DISTRICT COURT

[Title omitted]

ANSWER OF DEFENDANT, HUDSON & MANHATTAN RAILROAD COMPANY, TO AMENDED COMPLAINT—Filed December 6, 1943

Hudson & Manhattan Railroad Company, one of the defendants in the above entitled suit (hereinafter called the

"Railroad Company"), for answer to the amended complaint filed therein on November 19, 1943, (hereinafter termed the "complaint"):

I. Admits the allegations of paragraph 1 of the complaint, reserving, however, the question of the plaintiff's right and authority under Section 47 of Title 28, U. S. C., or otherwise, to act as plaintiff in the bringing of this suit.

II. Admits the allegations of paragraphs 2, 3, 4, 5 and 6 of the complaint.

III. Denies the allegations of paragraph 7 of the complaint as constituting a misrepresentation of the Commission's report, findings and order of July 11, 1938 therein referred to. For the true nature of such report, findings and order, the Court is respectfully referred to the copy thereof attached to the complaint as Exhibit No. 1.

IV. Admits the allegations of paragraph 8 of the complaint.

V. Admits the allegations of paragraph 9 of the complaint but for full and complete information as to the Commission's report, findings and order of June 8, 1943 the Court is respectfully referred to the copy thereof attached to the complaint as Exhibit No. 2.

VI. Denies the allegations of paragraph 10 of the complaint as constituting a misrepresentation of the Commission's report, findings and order of June 8, 1943 with respect to the matters referred to in said paragraph. For the true nature of the Commission's report, findings and order of June 8, 1943 with respect to such matters the Court is respectfully referred to the copy thereof attached to the complaint as Exhibit No. 2.

VII. Admits the allegations of paragraph 11 of the complaint but for full and complete information as to the nature of the Railroad Company's petition referred to in said paragraph the Court is respectfully referred to the copy of the petition attached to the complaint as Exhibit No. 4.

VIII. Denies the allegations of paragraph 12 of the complaint as constituting a misrepresentation of the plaintiff's reply of July 14, 1943 to the railroad's petition therein [fol. 206] referred to. For the true nature of such reply

the Court is respectfully referred to the copy thereof attached to the complaint as Exhibit No. 5.

IX. Denies the allegations of paragraph 13 of the complaint as constituting a misrepresentation of the Commission's report, findings, and order of August 3, 1943. For the true nature of such report, findings, and order the Court is respectfully referred to the copy thereof attached to the complaint as Exhibit No. 3.

X. Denies the allegation of paragraph 14 of the complaint as constituting a misrepresentation of the Commission's reports, findings and orders therein referred to and of the decisions of the District Court of the United States for the District of New Jersey and of the United States Supreme Court also therein referred to. For the true nature of such reports, findings and orders of the Commission the Court is respectfully referred to the exhibits already specified, attached to the complaint, and for the true nature of the decisions of said courts, the Court is respectfully referred to the official reports, as cited in said paragraph.

XI. Denies the allegations of paragraphs 15 to 20, both inclusive, of the complaint.

XII. Denies the allegations of paragraph 21 of the complaint as constituting a misrepresentation of the complaint of the City of Jersey City of September 13, 1943 therein referred to, hereinafter called the "original complaint". For the true nature of such original complaint the Court is respectfully referred to a copy thereof attached to this answer as Exhibit A. The Railroad Company further denies that any application was ever made upon said original complaint for a temporary restraint against putting into effect the findings and order of the Commission of August 3, 1943 or the fares therein authorized, and denies that a statutory court was ever duly established to hear such an application, but admits that an application was made and a statutory court convened for the purpose of hearing an application for an interlocutory injunction based upon such original complaint.

XIII. Denies the allegations of paragraph 22 of the complaint as constituting a misrepresentation of the Commission's order of September 18, 1943, of the nature of the

plaintiff's application to this Court preceding said order, of the proceedings and hearing before the Examiner under said order, and of the Commission's report, findings and order of November 2, 1943. For the true nature of the Commission's order of September 18, 1943 and its report, findings and order of November 2, 1943, the Court is respectfully referred to Exhibits No. 6 and No. 7 attached to the complaint. For the true nature of the alleged application for a temporary restraint referred to in said paragraph, the Court is respectfully referred to paragraph XII of this answer. For the true nature of the proceedings and hearing before the Examiner, the Court is respectfully referred to a transcript of such proceedings and hearing offered by the plaintiff as Exhibit P-1 on the hearing of an application to this Court for an interlocutory injunction based on the complaint herein.

XIV. Denies the allegations of paragraph 23 of the complaint as constituting a misrepresentation of the nature of the proceedings before the Commission therein referred to, of the grounds upon which the Railroad Company in such proceedings sought an increase in its fares, of the report of the Interstate Commerce Commission of June 8, 1943 in this respect, and of the nature of the proof which said paragraph alleges the plaintiff sought to submit to the Commission and which proof it alleges the Commission refused to receive.

For the true nature of the proceedings before the Commission and of the grounds upon which the Railroad Company in such proceedings sought to increase its fares, the [fol. 207] Court is respectfully referred to the reports, findings and orders of the Commission in such proceedings attached, as aforesaid, to the complaint and to the transcript of the evidence, and to the exhibits in such proceedings introduced by plaintiff as Exhibit P-1 on the hearing before this Court of an application for an interlocutory injunction based on the complaint. For the true nature of the evidence which it is alleged in said paragraph the plaintiff sought to introduce before the Commission and which it is alleged the Commission declined to receive, the Court is respectfully referred to the subsequent allegations of this answer with respect thereto as contained in sub-paragraph (h) of paragraph XXII hereof.

XV. Denies the allegations of paragraph 24 of the complaint.

XVI. Denies the allegations of paragraph 25 of the complaint and particularly that the plaintiff ever presented to the Commission any petition for further hearing as therein alleged. For the true nature of the conduct of the plaintiff in this respect and the Commission's action with respect thereto, the Court is respectfully referred to subsequent allegations of this answer as contained in subparagraphs (i), (j), (k) and (l) of paragraph XXII hereof.

XVII. Denies the allegations of paragraph 26 of the complaint as constituting a misrepresentation of the report, findings and order of the Commission of June 8, 1943, of the report, findings and orders of the Commission in Ex Parte 148, Increased Railway Rates, Fares & Charges, 1942, cited in said paragraph, and of the relation of the Railroad Company to the proceedings in Ex Parte 148. For the true nature of the Commission's report, findings and order of June 8, 1943 with respect to the allegations of paragraph 26 of the complaint, the Court is respectfully referred to the copy of such report, findings and order attached to the complaint as Exhibit 2. For the true nature of the Commission's findings, reports and orders in Ex Parte 148, the Court is respectfully referred to the official reports thereof, 248 I. C. C. 545, 255 I. C. C. 357. For the true nature of the relation of the defendant Railroad Company to the proceedings in Ex Parte 148, the Court is respectfully referred to the petition of the Railroad Company of July 8, 1943 for reconsideration and modification of the Commission's findings and order of June 8, 1943, said petition being attached to the complaint as Exhibit No. 4, and to the transcript of evidence on further hearing granted on such petition introduced by plaintiff as Exhibit P-1 upon the hearing before this Court of the application for an interlocutory injunction herein.

The Railroad Company further particularly denies the allegation in paragraph 26 of the complaint that the traffic of the defendant Railroad Company is commuter or commutation traffic within the meaning of the report, findings and orders of the Interstate Commerce Commission in Ex Parte 148, or otherwise.

XVIII. Denies the allegations of paragraphs 27, 28, 29, 30 and 31 of the complaint.

XIX. Denies that the Commission's orders of June 8, 1943 and November 2, 1943, which the complaint seeks to enjoin, were made without lawful authority or arbitrarily or unjustly or without full hearing or contrary to the relevant evidence or without evidence and findings to support them.

XX. Denies all allegations of the complaint not herein expressly admitted.

For Further Answer to the Complaint the Railroad Company Alleges That:

XXI. The complaint fails to state a claim upon which relief can be granted, in that the Commission's orders of June 8, 1943 and November 2, 1943 which the complaint [fol. 208] seeks to enjoin were and are within the lawful authority of the Commission, were made after full hearing and consideration of briefs and arguments of all parties, and are fully supported by the evidence before the Commission and by the Commission's findings based on such evidence. (See Exhibits Nos. 2, 3, 6 and 7 to complaint, and Exhibit P-1 on hearing on application for an interlocutory injunction.)

XXII. The plaintiff cannot maintain such complaint or be accorded injunctive relief therein prayed because of the plaintiff's failure, before filing such complaint, to exhaust its administrative remedies before the Commission, and because of certain estoppels arising against the plaintiff by reason of certain conduct of the plaintiff, all as shown by the following facts and circumstances:

(a) The findings and order of the Commission of June 8, 1943 (Exhibit 2 to the complaint) authorized the Railroad Company to publish and charge an interstate cash fare of 9 cents between stations on the downtown line, such authority being limited to the period of the war and six months thereafter. Neither the plaintiff nor the intervenor, the Director of Economic Stabilization by the Price Administrator of the Office of Price Administration (hereinafter referred to as the intervenor), has ever filed a petition with the Commission asking rehearing. reargument or re-

consideration of this order, although Rule 101 of the General Rules of Practice of the Commission specifically provides for such petitions in connection with any decision or order of the Commission. A copy of Rule 101 is atached to this answer as Exhibit B.

On the contrary, as hereinafter more fully set out in subparagraphs (f) and (g) of this paragraph, the plaintiff, on September 13, 1943, filed in this Court its original complaint in these proceedings, a copy of which complaint is attached to this answer as Exhibit A. This complaint, both explicitly and implicitly, prayed that the Interstate Commerce Commission and the Railroad Company be enjoined from any departure from the Commission's order of June 8, 1943 authorizing a nine cent fare on the downtown line, and that the Commission's order of August 3, 1943 be enjoined only insofar as it permitted the establishment of any local interstate fare in excess of nine cents on the downtown line.

(b) The Railroad Company, on the other hand, in accordance with the provisions of Rule 101 of the Commission's Rules of Practice, filed with the Commission on July 8, 1943 a sworn petition for reconsideration and modification of the findings and order of the Commission of June 8, 1943, merely, however, insofar as necessary to permit practicable compliance with such findings and order (Exhibit 4 to the complaint). For this purpose such petition asked that the Railroad Company be permitted to publish and charge alternative interstate fares of 11 tokens for $1 or a cash fare of a dime, applicable both to the Railroad Company's downtown and uptown lines. Such petition alleged that, because of physical limitations of the fare collection boxes of the Railroad Company, which limitations could not be obviated, it was impossible for the Railroad Company to collect the cash fare of 9 cents on its downtown line authorized by the Commission's order of June 8, 1943, and that the only practicable means of substantial compliance with the terms of that order would be the authorization of the proposed alternative fares applicable to both the downtown and uptown lines of the Railroad Company. The petition also asked that the Commission set aside the limitation of any increased fare to the period of the war and six months thereafter, as contained in its order of June 8, 1943.

Said petition asked that any party to such proceedings who might be opposed to the granting of the petition be

required to file a verified reply thereto within ten days and that, thereupon, the Commission, upon the basis of such petition and any such reply or replies, without further hearing, forthwith determine the issues thereby presented. [fol. 209] As grounds for such procedure, the affidavit attached to the petition showed that since the effective date of the Commission's order of June 8, 1943, the Railroad Company had suffered a loss of revenue of over $1,000 a day because of its inability to make the 9 cent fare authorized by that order on the downtown line effective, and would continue to lose over $1,000 a day until such time as the proposed alternative fares should be authorized and could be made effective. The Railroad Company alleges that such procedure would be within the lawful powers of the Commission.

(c) The plaintiff and other protestants, on July 14, 1943, filed with the Commission an unverified reply to the aforesaid petition of the Railroad Company (Exhibit No. 5 of the complaint). That reply alleged, inter alia,

> "It is the position of protestants that the petition should be denied, that the effectiveness of the decision, dated June 8, 1943, should be indefinitely suspended and, in view of the questions and assertions now brought forth by the respondent, that the proceeding should be set for further hearing. Otherwise, the petition, in its entirety, should be denied."

The Railroad Company alleges that such reply did not constitute a petition for rehearing, reargument or reconsideration of the Commission's findings or order of June 8, 1943 within the provisions of Rule 101 of the Commission's General Rules of Practice, nor otherwise comply with such rule.

The intervenor also filed a substantially similar and unverified reply to the petition of the Railroad Company.

(d) The Commission on August 3, 1943 issued its report, findings and order (Exhibit No. 3 to the complaint) based upon the Railroad Company's petition and such unverified replies, and without further hearing. In such findings and order the Commission concluded that:

> "Upon reconsideration, we affirm our prior conclusion that the proposed fare of 10 cents has not been justi-

fied for general application on respondent's downtown line. We further conclude that an increased local fare on respondent's downtown line on the alternative basis of 11 tokens for $1 or a cash fare of 10 cents, payable by a dime, has been justified for application during the remaining period of the war and 6 months after its termination; provided, that contemporaneously with the establishment and maintenance of such fares on the downtown line the same alternative basis, namely, 11 tokens for $1 or a cash fare of 10 cents, payable by a dime, be established and maintained on local interstate traffic on respondent's uptown line."

In such findings and order the Commission denied the petition of the Railroad Company for removal of the limitation as to the period for the application of such alternative fares and limited the application of such fares to the period of the war and six months thereafter.

(e) The Commission in its report and order of August 3, 1943 authorizing said alternative fares accorded the Railroad Company no permission to publish such fares on less than the statutory notice of thirty (30) days provided by Section 6 (3) of the Interstate Commerce Act, Title 49, U. S. C. Although ample opportunity was thus afforded the plaintiff and the intervenor to file a petition for rehearing, reargument or reconsideration of such order in accordance with the provisions of Rule 101 of the Commission's General Rules of Practice, neither the plaintiff nor the intervenor filed any such petition.

(f) On September 13, 1943, the plaintiff filed the original complaint in these proceedings, which complaint asked that the Commission's order of August 3, 1943 be enjoined only in so far as it permitted the establishment of any local interstate fare in excess of 9 cents on the downtown line, [fol. 210] which was the fare authorized by the Commission's order of June 8, 1943. Such complaint alleged, by Paragraph 17, as the fundamental ground of the invalidity of the Commission's order of August 3, 1943, that:

"17. It is apparent that the Commission, in authorizing local downtown fares in excess of the nine cent fare stated to be the reasonable maximum charge in the report and order of June 8, 1943, 255 I.C.C. 649, does so wholly because of an alleged carrier disability. As to

such alleged carrier disability the plaintiff herein has been deprived of its full day in Court by not having been given an opportunity to cross examine witnesses, refute and otherwise present counter evidence, and the order was entered without due process of law. To the extent that the Commission considered such matters in this regard, it acted arbitrarily and beyond the realms of proper judicial procedure."

(g) To meet such fundamental objection made by the plaintiff in its original complaint herein of September 13, 1943 as to the Commission's order of August 3, 1943, and despite the fact that the plaintiff had not exhausted its administrative remedies before the Commission with relation to such order, the Commission entered an order on September 18, 1943 (Exhibit No. 6 to the complaint) providing that the proceeding before the Commission be reopened—

"for further hearing to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modifications made by the Commission in its report of August 3, 1943, on further consideration of its prior findings and orders of July 11, 1938 and June 8, 1943; that at such further hearing any party hereto shall have the right to cross examine adverse witnesses, and, upon the conclusion of such hearing, any party so desiring may make oral argument before the examiner, but no further briefs shall be submitted, nor shall a proposed report be issued, nor shall there be further argument before the Commission."

Such order also provided further hearing thereunder on September 28, 1943.

The foregoing order was subsequently modified on such further hearing to the extent of permitting all parties the alternative right of oral argument before the Examiner or of filing of briefs with the Commission (Exhibit P-1 on hearing for an interlocutory injunction).

In the Commission's report, findings and order of November 2, 1943 (Exhibit No. 7 to the complaint, p. 71-72), the Commission made the following statement, with respect to the original complaint herein and the Commission's action based thereon:

"On September 13, 1943, the City of Jersey City filed a complaint in the United States District Court

for the District of New Jersey, seeking to enjoin our action of August 3, 1943, on the ground, among others, that it had been 'deprived of its full day in court by not having been given the opportunity to cross-examine the witnesses, refute and otherwise present counter evidence * * *.' Accordingly, out of an abundance of caution, by order of September 18, 1943, we reopened this proceeding for further hearing 'to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modifications made by the Commission in its report of August 3, 1943, on further consideration of its prior findings and orders of July 11, 1938, and June 8, 1943,' and to afford 'any party hereto * * * the right to cross-examine adverse witnesses.' Such further hearing has been held, and upon the filing of briefs the matter has been submitted for our further decision."

(h) On such further hearing of September 28, 1943 the Railroad Company offered evidence showing that by reason of the physical limitations of its fare collection boxes, which [fol. 211] limitations could not be obviated, it was impossible to collect a 9-cent cash fare on its downtown line, and that the only practicable method of substantial compliance with the Commission's order of June 8, 1943 prescribing a 9-cent fare on that line, would be by means of alternative fares of 11 tokens for $1 or a cash fare of a dime applicable both to the downtown line and the uptown line of the Railroad Company (Plaintiff's Exhibit P-1 on hearing of application for interlocutory injunction).

The plaintiff offered no evidence whatever either in this respect or within the limitations of the Commission's order of reopening of September 18, 1943. (*Id.*)

The only evidence offered by the intervenor in this respect or within the limitations of the Commission's order of reopening of September 18, 1943 was confined solely to an effort to prove that the Railroad Company's estimate of the potential ratio of the use of token fares to cash fares by its passengers under such alternative fares was erroneous.

Both the plaintiff and the intervenor, however, endeavored to offer certain evidence and to develop by cross-examination, certain data with reference to the current

revenues and operating expenses of the Railroad Company. The examiner excluded such evidence and cross-examination as not within the scope of the Commission's order of reopening. Thereupon the plaintiff and the intervenor purported to make certain offers of proof which it was alleged would in substance show: that, because of increase of traffic, the Railroad Company under a continuance of the 8-cent fare authorized by the Commission's order of July 11, 1938 would earn revenue in excess of the revenue to which the plaintiff and intervenor claimed the Commission had intended to limit the Railroad Company under the Commission's findings and order of July 11, 1938; that the Railroad Company under a continuance of the 8-cent fare authorized by the Commission's findings and order of July 11, 1938, because of such increased traffic, would earn its full current bond interest requirements; and that, therefore, the Railroad Company was not entitled to the 9-cent fare on its downtown line authorized by the Commission's order of June 8, 1943 and should be restricted to the 8-cent fare on such line authorized by the Commission's order of July 11, 1938. The examiner rejected such offers of proof as not being within the limitations of the Commission's order of reopening of September 18, 1943 but specifically advised counsel both for the plaintiff and the intervenor that if they desired to broaden the issues beyond the limitations of the order of September 18, 1943, they had the privilege of petitioning the Commission for a modification of that order for the purpose of permitting the receipt of the rejected evidence and cross-examination. Counsel for the intervenor thereupon stated that he would immediately file such a petition. Counsel for the plaintiff made no statement in this respect. (Exhibit A to petition for intervention.)

(i) On October 14, 1943, the intervenor filed a petition for the modification of the Commission's order of September 18, 1943 (Exhibit C to petition for intervention)—

> "to eliminate the restrictions heretofore imposed upon said reopened hearing, to reopen said proceeding for the purpose of receiving testimony and exhibits with respect to the revenues, income and expense of the company, in order that said record be brought up to date; including evidence and exhibits relating to the right and need of the company for an increase in rates, charges and revenues over and above those in effect on

September 15, 1942, under the Interstate Commerce Act, and the Act of October 2, 1942."

The only specifications in such petition of the purpose of adducing such evidence was in paragraph 8 thereof, reading as follows:

"8. Counsel for the protestants stated if given an opportunity to demonstrate by repesentation of evidence at the hearing he would show that the earnings of the [fol. 212] company, as a result of the war, at an 8-cent fare and for the full year of 1943, would exceed the amount which the Commission found to be adequate and reasonable in its 1938 order or its order of June 8, 1943, authorizing an increase (R-2488 ff). Such opportunity was denied."

Such petition did not specifically ask rehearing, reargument or reconsideration of the Commission's order of June 8, 1943. Such petition, moreover, failed to comply with Rule 101(b) of the Commission's General Rules of Practice (Exhibit B to answer) in that it failed to specify the evidence it sought to adduce.

(j) On October 25, 1943, the Railroad Company replied to the intervenor's aforesaid petition of October 14, 1943. In such reply, the Railroad Company specifically called attention to the fact that the plaintiff had neither filed an independent petition for any modification of the Commission's order of September 18, 1943 so as to permit the receipt of evidence offered by the plaintiff and rejected by the examiner on the hearing under that order, nor had it joined in the petition of the intervenor, and said reply asserted that the plaintiff's failure to do any of these things was caused by the plaintiff's recognition that by filing such a petition or by joining in the petition of the intervenor the plaintiff would stultify its original complaint herein then pending without amendment before this Court and which, as heretofore alleged, asked, in substance, that the Commission and the defendant railroad be required to abide by the Commission's order of June 8, 1943 authorizing a 9-cent fare on the downtown line.

(k) By a letter dated October 25, 1943 (copy of which is attached hereto as Exhibit C), addressed to the Commission but not received by either the Commission or the Railroad

Company until October 26, 1943, counsel for plaintiff professed to "adopt and otherwise ratify the contents of the aforesaid petition as though it were our own." This letter did not comply with Rule 101(e) of the Commission's General Rules of Practice either as to form, content, or service of petitions for rehearing, reargument or reconsideration. Moreover, this letter was not written until the very day upon which, under Rule 101, the reply of the Railroad Company to the petition of the intervenor was required to be filed and was not received either by the Commission or the Railroad Company until a day later. The Railroad Company alleges that this letter was occasioned by the aforesaid assertions in the Railroad Company's reply to the petition of the intervenor and that such letter clearly constituted an attempt to circumvent the requirements of the Commission's General Rules of Practice.

(1) On November 2, 1943 the Commission made its report, findings and order (Exhibit No. 7 to the complaint). Thereby the Commission denied the intervenor's petition for reopening and modification of the Commission's order of September 18, 1943. In this connection, the Commission stated (Complaint p. 73):

> "At the time of the oral argument before us on April 20, 1943, on the facts of record upon which we issued our second report of June 8, 1943, the traffic and revenue results on the lines of respondent for the year 1942 and the traffic results for January and February 1943, the latest periods for which any such results were then available, were by agreement of the parties made a part of the record. The data then adduced, along with the other determinative facts of record, are set out in, and were considered by us at the time of, our second report. Considering the contents of the motion now before us, and the offers of additional evidence made at the recent further hearing, we have no reason to believe that, if the additional hearing sought were held, we would feel warranted in modifying our findings as made in the second report. As will later appear, the alternative-fare basis herein approved can not be expected to yield materially better revenue results to respondent than we anticipated at the time of the second report. Accordingly, we see no sufficient reason for further reopening

this proceeding at this time, and the motion will therefore be overruled."

[fol. 213] The Commission did not, in such report, findings and order, refer to the plaintiff's letter since that letter, as already alleged, did not constitute a petition for rehearing, reargument or reconsideration within the provisions of the Commission's General Rules of Practice.

(m) The Railroad Company alleges that the Commission was fully warranted in stating in its report and findings of November 2, 1943 that:

"Considering the contents of the motion now before us, and the offers of additional evidence made at the recent further hearing, we have no reason to believe that, if the additional hearing sought were held, we would feel warranted in modifying our findings as made in the second report."

The motion therein referred to was the intervenor's petition of October 14, 1943 which the intervenor improperly entitled as a motion. Such petition or motion, as already alleged, failed to specify the evidence to be adduced as required by Rule 101 (b) and amounted merely to a statement of the intervenor's conclusion as to what the Commission should determine from such unspecified evidence.

The nature of such evidence, however, is shown by Exhibit B to the intervenor's petition of intervention in this court, being a condensed income statement of the Hudson & Manhattan Railroad Company for the seven months ended July 31, 1943. The Railroad Company alleges that this condensed statement is not a statement of its income from its railroad operations, but is a consolidated statement of the Hudson & Manhattan Railroad Company's entire corporate income, including that Company's income from its Hudson Terminal office buildings, and other non-railroad operations in addition to its income from its railroad operations. As shown by the Commission's report, findings and order of August 3, 1943 (Exhibit No. 3 to the complaint, p. 51), the intervenor in his unverified reply to the Railroad Company's sworn petition for reconsideration and modification of the Commission's findings and order of June 8, 1943, set out a similar condensed income statement of the Hudson & Manhattan Railroad Company for the first five months of

1943, and the Commission rejected such statement on the ground that the results shown on such five months' statement

> "are not for the railroad operations only, but also include the operation of respondent's terminal building, and therefore are of no value to us in determining whether or not there has been any important change in the revene results from the railroad operations since the record on which the prior reports is based was closed" (pp. 51-52).

Furthermore, the only specification in such petition or motion of the purpose of such evidence was, as stated in paragraph 8 thereof, to

> "show that the earnings of the Company, as a result of the war, at an 8-cent fare and for the full year of 1943, would exceed the amount which the Commission found to be adequate and reasonable in its 1938 order or its order of June 8, 1943 authorizing an increase."

The Railroad Company alleges that neither in the Commission's findings or order of July 11, 1938 nor its findings or order of June 8, 1943 did the Commission make any finding as to what amount of revenues would be adequate and reasonable under the fares there authorized or undertake to limit the Railroad Company's earnings under such fares. In connection with both orders the Commission merely made certain estimates of revenue which the Railroad Company might earn under the respective fares authorized in view of the conditions existing at the time such respective orders were entered, and, in particular, in view of certain factors of diversion incident to then existing competitive forms of transportation.

[fols. 214-220] XXIII. The Railroad Company alleges that by reason of the facts set forth in paragraph XXII, the plaintiff was and is estopped from bringing or maintaining its amended complaint and was and is estopped from asking and obtaining the injunctive relief therein prayed against the Commission's findings and orders of June 8, 1943 and November 2, 1943, or either of them, and against the fares authorized by such findings and orders, or either of them, and by reason of the plaintiff's failure before filing such amended complaint to exhaust its administrative remedies before the Commission is further

barred from bringing or maintaining its amended complaint or obtaining the injunctive relief therein prayed.

The Railroad Company is ready to aver, maintain and prove, as this Honorable Court shall direct, all the foregoing allegations of its answer and therefore prays that said amended complaint be dismissed.

Collins & Corbin, by James B. Emory, a Member of said Firm, Attorneys for Hudson & Manhattan Railroad Company, Defendant, 1 Exchange Place, Jersey City, New Jersey.

John E. Buck, Thomas A. Halleran, John F. Finerty, *of Counsel.*

Duly sworn to by Walter F. Brown. Jurat omitted in printing.

[fols. 221-222] EXHIBIT "B" TO ANSWER

INTERSTATE COMMERCE COMMISSION

General Rules of Practice

Rehearing; Reargument; or Reconsideration.

Rule 101. Petitions for rehearing, reargument, or reconsideration.

(a) In General. A petition seeking any change in a decision, order, or requirement of the Commission should specify whether the prayer is for reconsideration, reargument, rehearing, further hearing, modification of effective date, vacation, suspension, or otherwise.

(b) Rehearing or further hearing. When in a petition filed under this rule opportunity is sought to introduce evidence, the evidence to be adduced must be stated briefly, such evidence must not appear to be cumulative, and explanation must be given why such evidence was not previously adduced.

(c) Modification of effective date. A petition under this rule seeking only modification of the effective date of a decision, order, or requirement, or in the period of notice, or other period or date prescribed therein, must be filed sea-

sonably, except that, in case of unforeseen emergency satisfactorily shown by petitioner, such relief may be sought informally, by telegram or otherwise, provided like notice is simultaneously communicated to all parties of record.

(d) Reconsideration. If relief under this rule other than under subdivisions (b) and (c) is sought, the matters claimed to have been erroneously decided and the alleged errors or relief sought must be specified with the particularity respecting exceptions as outlined in rule 96 (a), as should also any substitute finding or other substitute requirement desired by petitioner.

(e) Time for filing. Except for good cause shown, and upon leave granted, petitions under this rule must be filed within 30 days after the date of service of a decision or order granting an application in whole or in part, and within 60 days after the date of service of any other character of decision or order.

(f) Successive petitions on same grounds, not entertained. A successive petition under subdivision (d) of this rule filed by the same party or parties, and upon substantially the same grounds as a former petition, which has been considered and denied by the entire Commission, or by an appropriate appellate division, will not be entertained.

[fol. 223] In the District Court of the United States

[Title omitted]

Answer of Interstate Commerce Commission to Amended Complaint—Filed December 1, 1943

The Interstate Commerce Commission, one of the defendants in the above-entitled suit, for answer to the amended complaint heretofore filed in this case, answers and says:

I

Answering the allegations of paragraphs 1 to 6, inclusive, of the amended complaint, the Comimssion admits the same.

II

Answering the allegations of paragraph 7 of the amended complaint, the Commission respectfully refers the court to

its decision, reported in 227 I. C. C. 741, annexed to the amended complaint as Exhibit No. 1, for more full and complete information concerning the findings of the Commission than is contained in said paragraph.

[fol. 224]

III

Answering the allegations of paragraph 8 of the amended complaint, the Commission admits the same.

IV

Answering the allegations of paragraphs 9 and 10 of the amended complaint, the Commission respectfully refers the court to its decision of June 8, 1943, 255 I. C. C. 649, for more complete information concerning its findings than is contained in said paragraphs. The Commission's report of June 8, 1943, is attached to the amended complaint as Exhibit No. 2, to which the Commission respectfully refers the court.

V

Answering the allegations of paragraph 11 of the amended complaint, the Commission admits the filing by the railroad of the petition for reconsideration therein referred to. Said petition for reconsideration is attached to and made a part of the amended complaint as Exhibit No. 4, to which the Commission respectfully refers the court for more full and complete information concerning its contents than is contained in said paragraph.

VI

Answering the allegations of paragraph 12 of the amended complaint, the Commission admits the same but refers the court to the plaintiff's reply to the railroad's petition for reconsideration, which is attached to the amended complaint as Exhibit No. 5.

[fol. 225]

VII

Answering the allegations of paragraphs 13 and 14 of the amended complaint, the Commission respectfully refers the court to its report of August 3, 1943, for more full and complete information concerning its findings than is contained in said paragraphs. Said report of August 3, 1943, is attached to the amended complaint as Exhibit No. 3.

The Commission denies the other allegations contained in said paragraph 14.

VIII

Answering the allegations of paragraphs 15 to 20, inclusive, of the amended complaint, the Commission denies the same.

IX

Answering the allegations of paragraph 21 of the amended complaint, the Commission admits the same.

X

Answering the allegations of paragraph 22 of the amended complaint, the Commission respectfully refers the court to its order of September 18, 1943, attached to its original answer as Exhibit A, for a more full and complete description of the provisions of said order than is contained in said paragraph.

The Commission further alleges that in making and entering said order of September 18, 1943, it acted within its authority.

XI

Answering the allegations of paragraphs 23 to 31, inclusive, of the amended complaint, the Commission denies the same.

[fol. 226] XII

Answering the allegations of paragraph 32 of the amended complaint, the Commission admits that the exhibits therein referred to are true copies of such documents.

Further answering the amended complaint as a whole, the Commission alleges that in the proceedings giving rise to this suit the parties thereto, including the plaintiffs herein, were, and each of them was, accorded the full hearing provided by the Interstate Commerce Act; that in said hearing testimony and other evidence bearing upon the matters covered in its reports and orders therein referred to was submitted to the Commission for consideration; that at said hearing and subsequently, both orally and in briefs filed in said proceedings, questions relating to said matters were fully argued and submitted to the Commission for determination on behalf of said parties by their respective counsel, including many of the particular questions raised by plain-

tiffs in this suit, whereupon the Commission determined said matters and entered and served upon all the parties to said proceedings, including the plaintiffs herein, its said reports and orders; that said reports and orders included the Commission's findings of fact, conclusions and requirements in the premises, and that, upon the evidence aforesaid, and as shown in and by said reports, the Commission made the findings and stated the conclusions upon which its orders were based.

The Commission further alleges that the findings and conclusions in said reports and orders were and are, and that each of them was and is, fully supported and justified by the evidence submitted in said proceedings as aforesaid. [fol. 227] The Commission further alleges that in making said reports, it considered and weighed carefully, in the light of its own knowledge and experience, each fact, circumstance, and condition called to its attention on behalf of the parties to said proceedings by their respective counsel, including many of the matters covered by the allegations of the amended complaint herein.

The Commission further alleges that said reports and orders were not made or entered either arbitrarily or unjustly, or contrary to the relevant evidence, or without evidence to support them, that in making said orders the Commission did not exceed the authority which had been duly conferred upon it, and the Commission denies each of and all the allegations to the contrary contained in the amended complaint.

To the extent that the allegations contained in the amended complaint are in conflict with statements and findings contained in its said reports, the Commission denies the same.

Except as herein expressly admitted, the Commission denies each of and all the allegations contained in the amended complaint, in so far as they conflict either with the allegations herein, or with either the statements or conclusions of fact included in its said reports of July 11, 1938, June 8, 1943, August 3, 1943, and November 2, 1943, referred to and made parts of the amended complaint as Exhibits Nos. 1, 2, 3, and 7, respectively, which reports and orders are hereby referred to and made parts hereof.

All of which matters and things the Commission is ready to aver, maintain and prove as this Honorable Court shall

[fol. 228] direct, and hereby prays that said amended complaint be dismissed.

Interstate Commerce Commission. By E. M. Reidy, Assistant Chief Counsel.

Daniel W. Knowlton, Chief Counsel, Of Counsel.

Duly sworn to by Claude R. Porter. Jurat omitted in printing.

[fol. 229] IN THE DISTRICT COURT OF THE UNITED STATES

[Title omitted]

ANSWER OF THE UNITED STATES TO AMENDED COMPLAINT—Filed November 24, 1943

Now comes the United States, a defendant herein, and in answer to the complaint says:

I

By motion heretofore filed in this case Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator of the Office of Price Administration, has sought to intervene as a plaintiff and to have the order of the Interstate Commerce Commission here involved set aside.

II

A situation is thus presented where one Government Agency is the plaintiff in this case and another Government Agency, the Interstate Commerce Commission, is the defendant in the same case. Under these circumstances, and in view of the fact that both Government agencies will have an opportunity to present their respective positions through their own counsel, it is believed only fair that the United States remain neutral in this case.

III

Accordingly, the United States neither admits nor denies any of the allegations of the amended complaint.

Robert L. Pierce, Special Assistant to the Attorney General.

Wendell Berge, Attorney General.

[fol. 230] Certificate of Service

I hereby certify that I served a copy of the above answer upon each of the following counsel in this case by mailing them a copy thereof this 22nd day of November, 1943.

Robert L. Pierce, Special Assistant to the Attorney General.

Edward M. Reidy, Esquire, Assistant Chief Counsel, Interstate Commerce Commission, Washington 25, D. C.; Charles Hershenstein, Esquire, Charles A. Rooney, Esquire, City Hall, Jersey City, New Jersey; John Finerty, Esquire, 120 Broadway, New York, N. Y.; John E. Buck, Esquire, 30 Church Street, New York, New York; Collins & Corbin, Esqs., 1 Exchange Place, Jersey City, New Jersey; Harry R. Booth, Esquire, Utilities Counsel, Office of Price Administration, Washington, D. C.

[fol. 231] In the United States District Court

[Title omitted]

Answer of Defendant, Hudson & Manhattan Railroad Company, to the Petition of Fred M. Vinson, Director of the Office of Economic Stabilization, by Chester Bowles, Price Administrator of the Office of Price Administration, for Leave to Intervene, for an Interlocutory Injunction and for Other Relief—Filed December 9, 1943

Hudson & Manhattan Railroad Company, one of the defendants in the above entitled suit (hereinafter called the "Railroad Company"), for answer to the above petition of the Director of the Office of Economic Stabilization by the Price Administrator, (hereinafter called the "intervenor"):

I. Admits the allegations of paragraphs 1 and 2 of the petition.

II. Denies the allegations of paragraphs 3, 4, 5, 6 and 7 of the petition, except as to the issuance of the executive orders referred to in paragraph 6, and as to such executive orders, alleges that, if given the construction alleged by the intervenor in paragraph 6, such orders are *ultra vires* and

void as in conflict with Section 302 (c) of the Emergency Price Control Act of January 30, 1942, 50 U. S. C. A. Sec. 942 (c), which reads:

> "• • • *Provided*, That nothing in this act shall be construed to authorize the regulation of • • • (2) rates charged by any common carrier or other public utility."

Further alleges that the only effect of the proviso to Section 1 of the Act of October 2, 1942 (50 U. S. C., Sec. 961), on the foregoing provisions of Sec. 942 (c) of the Act of January 30, 1942, is to require a common carrier to give thirty days notice to the President through such agency as he may designate of any proposed increase in the rates or charges which were in effect on September 15, 1942, and to consent to the intervention by such agency before the federal, state or municipal authority having jurisdiction to consider such increase; and that, as to increases within the jurisdiction of the Interstate Commerce Commission, the Emergency Price Control Act of 1942 does not deprive the Commission of its exclusive power and duty to determine the reasonableness and lawfulness of any such proposed increase but, at most, constitutes a declaration of public policy to be given due consideration by the Commission in determining whether it shall permit any such increase.

III. Admits the allegations of paragraph 8 of the petition but denies any inference which intervenor may intend to be drawn from the use of the word "notwithstanding" in such paragraph.

Alleges that the Price Administrator had intervened in his own behalf upon the hearing of these proceedings on September 17, 1942, preceding the enactment of the Act of October 2, 1942, but under such intervention neither offered or attempted to offer any evidence; that subsequently upon his intervention as representative of the Director of the Office of Economic Stabilization under the Act [fol. 232] of October 2, 1942 the Price Administrator, though afforded full opportunity to do so under said intervention, neither offered nor attempted to offer any evidence in these proceedings prior to the Commission's report and order of June 8, 1943, but specifically limited his activities under such intervention to the filing of the written brief and the participation in oral argument mentioned in paragraph

8 of his petition herein; and, moreover, that in his exceptions of March 3, 1943 to the Examiner's proposed report and on the oral argument before the entire Commission preceding the Commission's report, findings and order of June 8, 1943, the intervenor made the following express admission:

> "We did not, nor do we now, suggest that this proposed increase in fare will in and of itself result in inflation. Such a suggestion would, of course, be asinine."

IV. Admits the filing of the Railroad Company's petition of July 8, 1943 referred to in paragraph 9 of said petition and the filing of the intervenor's answer thereto of July 19, 1943, but alleges that the allegations of such answer were subject to the express admission of the intervenor referred to in paragraph III of this answer.

V. Denies knowledge or information sufficient to form a belief as to the truth of the allegations of the first paragraph of paragraph 10 of the petition.

Admits the allegations of the second paragraph of paragraph 10 of the petition.

Denies the remainder of said paragraph 10 and for the true nature of the matters therein referred to the Court is respectfully referred to the allegations of subparagraphs (h) and (m) of paragraph XXII of the Railroad Company's answer to the amended complaint herein, which allegations are made part of this answer.

VI. Admits the allegations of subparagraphs (a) and (b) of paragraph 11 of the petition but denies all other allegations of said paragraph, and alleges that, in any event, the matters therein referred to are evidentiary in nature, and that the weight to be accorded such alleged evidence and the conclusion to be drawn therefrom were and are within the jurisdiction of the Commission and not of this Court.

VII. Denies the allegations of paragraph 12 of the petition as constituting a misrepresentation both of the intervenor's motion of October 14, 1943 therein referred to and of the Commission's report, findings and order of November 2, 1943 therein referred to. For the true nature of such motion of October 14, 1943, the Court is respectfully referred to the copy thereof attached to the petition as Exhibit C. For the true nature of the Commission's report,

findings and order of November 2, 1943, the Court is respectfully referred to the copy thereof attached to the amended complaint herein as Exhibit 7.

For further information as to the true nature of the matters referred to in paragraph 12 of the petition the Court is respectfully referred to the allegations of subparagraphs (h), (i), (j), (l) and (m) of paragraph XXII of the Railroad Company's answer to the amended complaint herein, which allegations are made part of this answer.

VIII. Denies the allegations of paragraph 13 of the petition.

IX. Denies the allegations of paragraph 14 of the petition and alleges that the matters referred to in the subparagraphs thereof are, in any event, matters for the determination of the Commission and not of this Court.

X. Denies the allegations of paragraphs 15, 16, and 17 of the petition.

For Further Answer to the Petition, the Railroad Company Alleges that:

XI. That the intervening petition fails to state a claim upon which relief can be granted in that the Commission's orders of June 8, 1943 and November 2, 1943, which orders [fol. 233] the petition asked be enjoined, were and are within the lawful authority of the Commission, were made after full hearing and consideration of briefs and arguments of all parties, including those of the intervenor, and are fully supported by evidence before the Commission and by the Commission's findings of fact based on such evidence. (See Exhibits Nos. 2, 3, 6 and 7 of amended complaint, and Exhibit P-1 on hearing of application for an interlocutory injunction.)

XII. The intervenor cannot maintain his petition of intervention or be accorded the injunctive relief therein prayed because of the intervenor's failure, before filing his petition for intervention and other relief, to exhaust his administrative remedies before the Commission, and because of certain estoppels arising against the intervenor by reason of certain conduct of the intervenor, all as shown by the following facts and circumstances:

(a) The facts and circumstances alleged in paragraph XXII, and the subparagraphs thereto, of the

answer of the Railroad Company to the amended complaint herein, and in paragraph III of this answer, all of which facts and circumstances, as there alleged, are made part of this answer.

(b) In addition to the facts and circumstances alleged in subparagraph (a) of this paragraph, the intervenor, as appears from paragraph 10 of his petition, and from the statement of his counsel on the hearing of September 28, 1943 under the Commission's order of reopening of September 18, 1943 (Exhibit P-1, pp. 2201, 2) in substance adopted the allegations of the original complaint in these proceedings, which original complaint (Exhibit A to the Railroad Company's answer to the amended petition herein) asked no injunction against the Commission's findings and order of June 8, 1943 or against the 9 cent fare on the Railroad Company's downtown line thereby authorized but, on the contrary, asked an injunction against the Commission's findings and order of August 3, 1943 only insofar as such findings and order authorized any fare on the Railroad Company's downtown line in excess of such 9 cent fare authorized by the Commission's order of June 8, 1943.

XIII. The Railroad Company alleges that, by reason of the facts stated in paragraph XII of this answer, the intervenor was and is therefore estopped from intervening in this suit under the amended complaint herein and, equally with the plaintiff, was and is estopped from asking or obtaining the injunctive relief prayed in the petition of intervention herein against the Commission's findings and orders of June 8, 1943 and November 2, 1943, or either of them, and against the fares authorized by such findings and orders, or by either of them, and further that, by reason of the intervenor's failure before filing its intervening petition herein to exhaust its administrative remedies before the Commission, the intervenor is further barred from intervening in this suit under the amended complaint herein and from obtaining such injunctive relief prayed in its petition of intervention.

The Railroad Company is ready to aver, maintain and prove, as this Honorable Court shall direct, all the foregoing allegations of its answer and therefore asks that the

injunction relief prayed in said petition of the intervenor be denied.

Collins & Corbin, by E. A. Markley, A Member of Said Firm, Attorneys for Hudson & Manhattan Railroad Company, Defendant, 1 Exchange Place, Jersey City, New Jersey.

John E. Buck, Thomas A. Halleran, John F. Finerty, of Counsel.

[fol. 234] *Duly sworn to by Walter F. Brown. Jurat omitted in printing.*

[fol. 235] In the District Court of the United States

[Title omitted]

Answer of Interstate Commerce Commission to Intervening Petition of Economic Stabilization Director and Price Administrator—Filed December 4, 1943

The Interstate Commerce Commission, one of the defendants in the above-entitled suit, for answer to the intervening petition of Economic Stabilization Director and the Price Administrator, heretofore filed in this case, answers and says:

I

Answering the allegations of paragraphs 1, 2, 4 and 6 of the intervening petition, the Commission for the purposes of this suit, admits the same.

II

Answering the allegations of paragraph 3 of the intervening petition, the Commission respectfully refers the court to the Price Control Act, therein referred to, for more full and complete information concerning the provisions of said Act than is contained in said paragraph.

[fol. 236] III

Answering the allegations of paragraph 5 of the intervening petition, the Commission disclaims information sufficient to form a belief with respect to the intentions of Con-

gress, except as enacted and set forth in legislation passed by the Congress.

IV

Answering the allegations of paragraph 7 of the intervening petition, the Commission avers that such allegations are conclusions of law to which it is not required to make answer, and further avers that in exercising its authority in this case as it did, the Commission did not exceed the authority duly conferred upon it.

V

Answering the allegations of paragraphs 8 and 9 of the intervening petition, the Commission, for the purposes of this suit, admits the filing with it of the documents referred to in said paragraphs, to which documents the Commission respectfully refers the court for more full and complete information.

VI

Answering the allegations of the first subparagraph of paragraph 10 of the intervening petition, the Commission disclaims information sufficient to form a belief as to the truth thereof.

Answering the allegations of the second subparagraph of paragraph 10 of the intervening petition, the Commission admits the same.

[fol. 237] Answering the allegations of the third subparagraph of paragraph 10 of the intervening petition, the Commission denies the action of either it or its trial examiner, was arbitrary or illegal in any respect.

Answering the allegations of the fourth subparagraph of paragraph 10 of the intervening petition, the Commission alleges that the extracts from the record, annexed to the intervening petition as Exhibit A, constituting, as they admittedly do, only a part of the record before it, are inadmissible in support of the allegations of said subparagraph.

Answering the allegations of the fifth subparagraph of paragraph 10 of the intervening petition, the Commission admits that Exhibit B, therein referred to, was excluded, but avers that said exclusion was based on good and sufficient reasons, and its action in so excluding said Exhibit was not illegal in any respect.

VII

Answering the allegations of subparagraphs (a), (b) and (c) of paragraph 11 of the intervening petition, the Commission avers that such allegations are evidential in nature, the weight to be accorded to such allegations being for the Commission and not for the court.

The Commission denies the allegations contained in subparagraph (d) of paragraph 11 of the intervening petition.

VIII

Answering the allegations of paragraph 12 of the intervening petition, the Commission admits the filing by the intervener of the motion (Exhibit C) therein referred to, and its denial by the Commission on November 2, 1943. Said motion is attached to and made a part of the intervening [fol. 238] petition as Exhibit C, and said report of November 2, 1943, is made a part of the amended complaint as Exhibit 7, to which the Commission respectfully refers the court for more full and complete information concerning their contents than is contained in said paragraph.

IX

Answering the allegations of paragraphs 13, 14 (and its subdivisions a-m, inclusive,) 15, 16 and 17, inclusive, of the intervening petition, the Commission denies that its reports and orders are void for the reasons set forth in said paragraphs, or for any other reason.

Further answering the intervening petition as a whole, the Commission hereby adopts and makes a part hereof, the averments of paragraph XII of its answer heretofore filed to the amended complaint of the City of Jersey City, to which reference is hereby respectfully made.

All of which matters and things the Commission is ready to aver, maintain and prove as this Honorable Court shall direct, and hereby prays that said intervening petition be dismissed.

Interstate Commerce Commission By E. M. Reidy, Assistant Chief Counsel.

Daniel W. Knowlton, Chief Counsel, of Counsel.

[fol. 239] *Duly sworn to by Claude R. Porter. Jurat omitted in printing.*

[fol. 240] IN THE DISTRICT COURT OF THE UNITED STATES

[Title omitted]

AMENDED ANSWER OF INTERSTATE COMMERCE COMMISSION TO AMENDED COMPLAINT OF CITY OF JERSEY CITY, ET AL., AND INTERVENING PETITION OF OFFICE OF PRICE ADMINISTRATION AND DIRECTOR OF ECONOMIC STABILIZATION.—Filed December 11, 1943

Now comes the Interstate Commerce Commission, one of the defendants in this proceeding, for further answer to the amended petition of the City of Jersey City, et al., and to the intervening petition of the Office of Price Administration and Director of Economic Stabilization, and without waiving any of the defenses set forth in the Commission's answers heretofore filed in this case, alleges and says:

The relief sought in the amended petition and intervening petition should be denied in that (1) such relief is premature, neither the petitioners nor intervening petitioners having exhausted the administrative remedies provided in cases of this kind, and (2) both the petitioners and intervening petitioners are estopped from now questioning the reasonableness of the 9-cent fare found reasonable by the Commission's report of June 8, 1943, (Exhibit No. 2 [fol. 241] to the amended petition). In support of these allegations, the Commission hereby adopts and makes a part hereof statements and allegations contained in Paragraphs XXII and XXIII of the answer heretofore filed on behalf of the defendant, Hudson & Manhattan Railroad Company, to the amended complaint in this proceeding, to which the Commission respectfully refers the court.

For the Interstate Commerce Commission, Daniel W. Knowlton, Chief Counsel. E. M. Reidy, Assistant Chief Counsel.

December 13, 1943.

[fol. 242] IN THE UNITED STATES DISTRICT COURT

[Title omitted]

AFFIDAVIT OF WALTER F. BROWN IN OPPOSITION TO MOTION FOR INTERLOCUTORY INJUNCTION—Filed Nov. 24, 1943

WALTER F. BROWN, being first duly sworn, deposes and says:

1. I am the Chairman of the Board of Directors and President of Hudson & Manhattan Railroad Company (hereinafter sometimes referred to as the "Railroad Company"), one of the defendants named in the above-entitled suit.

2. By Report and Order of the Interstate Commerce Commission dated November 2, 1943, copies of which are annexed to the amended complaint herein marked Exhibit No. 7, the Railroad Company was authorized to establish a local interstate fare for transportation between stations on its line of railroad in New Jersey and Hudson Terminal, New York on its so-called downtown line, on the alternative basis of 11 tokens for $1 or a cash fare of 10 cents payable by a dime, for application during the remaining period of the war and six months after its termination, provided that, contemporaneously with the establishment and maintenance of such fare on the downtown line, the same alternative basis of fare be established and maintained for local [fol. 243] interstate transportation between its stations in New Jersey and stations in New York, on the Railroad Company's so-called uptown line. Said report stated that the Railroad Company in its petition dated July 8, 1943 (Exhibit No. 4 annexed to the amended complaint herein), for modification of the findings and order of the Commission of June 8, 1943 (Exhibit No. 2 annexed to the amended complaint herein), had asked "* * * for permission to establish the fares herein approved upon 10 days' notice to us and to the public, instead of 30 days as required in Section 6(3) of the Act." Said report then further stated: "A downtown fare of 9¢ was approved by us on June 8, 1943, and in the ordinary course, if collectible, that fare would now have been in effect for about four months. Accordingly, we feel warranted in exercising the powers given to us in Section 6(3) and permitting the establishment of the approved fares upon less than the statutory notice."

Accordingly, in its order dated November 2, 1943, the Commission authorized the Railroad Company to publish and apply the fares approved in its report dated November 2, 1943 "upon not less than 15 days' notice to the Commission and to the general public, in the manner provided in Section 6 of the Interstate Commerce Act."

3. Pursuant to the authority of the aforesaid Report and Order of the Interstate Commerce Commission, the Railroad Company on November 6, 1943 issued, published and filed in the manner prescribed by Section 6 of the Interstate Commerce Act its Local Passenger Tariff, I. C. C. No. 53, to become effective November 22, 1943, establishing the alternative token and dime fares authorized by said Report and Order.

[fol. 244] 4. By letter dated November 16, 1943 addressed by the Hon. Thomas F. Meaney, United States District Judge for the District of New Jersey, to Hon. Claude R. Porter, one of the members of the Interstate Commerce Commission, the Interstate Commerce Commission was requested to direct the Railroad Company to postpone to November 29, 1943 the effective date of said Local Passenger Tariff I. C. C. No. 53 so as to afford an opportunity for a three judge statutory court to hear and determine an application to be made by the plaintiff in this action for an injunction. The application referred to in Judge Meaney's letter is based upon the Amended Complaint now before this Court, and seeks an injunction against the establishment of a fare in excess of 8 cents on the downtown line of the Railroad Company.

5. In a letter addressed to the Railroad Company under date of November 18, 1943, signed by the Hon. Claude R. Porter of the Interstate Commerce Commission, the Railroad Company was requested to postpone the effective date of Local Passenger Tariff I. C. C. No. 53. The Railroad Company acceded to such request and under date of November 19, 1943, Supplement No. 1 to such tariff was issued, published and filed with the Interstate Commerce Commission postponing to November 29, 1943, the effective date of said tariff.

6. The fare now in effect for interstate transportation between stations on the downtown line of the Railroad

Company is 8 cents, and was authorized by the Report and Order of the Interstate Commerce Commission dated July 11, 1938 (Exhibit No. 1 annexed to the Amended Complaint herein).

The fare now in effect for interstate transportation be-
[fol. 245] tween stations in New Jersey and stations on the uptown line of the Railroad Company in New York is 10 cents, and was authorized by Report and Order of the Interstate Commerce Commission dated August 9, 1920, in proceedings entitled "Investigation and Suspension Docket No. 1172", 58 I. C. C. 270.

Exhibit No. F-150, received in evidence on the reopened hearing before the Commission on September 28 and 29, 1943, shows that, on the basis of traffic for the eight months ended August 31, 1943, adjusted to a twelve months basis, the Railroad is carrying 57,082,773 local interstate passengers, of which 38,558,898 are interstate passengers on the downtown line and 18,523,875 are interstate passengers on the uptown line.

Through inability of the Railroad Company to collect a 9-cent cash fare on the downtown line authorized by the Commission's Report and Order of June 8, 1943, the Railroad Company has lost and is continuing to lose more than $1,000 per day, and the Commission so found in its Report and Order dated August 3, 1943 (Exhibit No. 3 annexed to the Amended Complaint herein).

The postponement from November 22, 1943 to November 29, 1943 of the effective date of Local Passenger Tariff I. C. C. No. 53 publishing the alternative token and dime fares authorized by the Commission's Report and Order of November 2, 1943, similarly will cause the Railroad Company to lose approximately $1,000 a day additional revenue which such fares would provide, and any further postponement of the effective date for the application of the fares published in such tariff similarly will cause the Railroad
[fol. 246] Company to continue to lose approximately $1,000 a day. All of such losses are and will be irreparable.

7. If an interlocutory injunction is denied and this Court on final hearing should grant a permanent injunction, in the interim between such denial and such permanent injunction (a) there can be no pecuniary damage whatever to the applicant Jersey City, (b) any damage to any pas-

senger on the downtown line, including such unidentifiable passengers as may be citizens of Jersey City, will be wholly negligible, amounting to 1-1/11 cents per trip or a maximum for a daily commuter of 54-5/11 cents per month (a period within which this Court may reasonably be expected to hear and determine an application for final injunction), and (c) passengers on the uptown line, including such as may be citizens of Jersey City, will be benefited to the extent of 10/11ths of a cent a trip, or 45-5/11 cents per month in the case of daily commuters, representing the difference between the authorized token fare and the present mandatory 10-cent cash fare.

If an interlocutory injunction should be granted and this Court on final hearing should determine the authorized alternative token and dime fares to be valid, (a) the Railroad Company will suffer irreparable damage of approximately $1,000 per day, (b) the Railroad Company cannot be protected against such irreparable damage by any bond which might be given by Jersey City, and (c) irreparable damage will likewise ensue to passengers on the uptown line, including such as may be citizens of Jersey City, to the extent of 10/11ths of a cent per trip.

8. The City of Jersey City cannot furnish a valid bond [fol. 247] which would indemnify the Railroad Company against the loss of approximately $1,000 per day which the Railroad Company would sustain if the present 8-cent fare on the downtown line is continued in effect under an interlocutory injunction. Many of the passengers using the lines of the Railroad Company are either citizens and residents of the State of New York or of portions of the State of New Jersey beyond the territorial limits of the City of Jersey City, who cannot be identified from citizens and residents of the City of Jersey City. I am advised by counsel that the City of Jersey City, as a municipal corporation, would not have the power to assume the liability to the Railroad Company for additional fares which would be owing by such persons who are not citizens and residents of the City of Jersey City, and that it is at least extremely doubtful that the City of Jersey City has the right and power to assume even for its own citizens and residents their liability to the Railroad Company for the difference between the 8-cent fare and the alternative token and dime fares authorized for use on the downtown line.

9. The facts hereinafter set forth show that, should this Court deny an interlocutory injunction it would be impracticable to condition such denial upon an undertaking by the Railroad Company to refund the difference between the alternative token and dime fares on the downtown line authorized by the Commission's Order of November 2, 1943, and the present 8-cent fare on that line. In any event, as shown in paragraph 7 hereof, such refunds would be of such negligible amount that the fact it is impracticable to provide for them could result in no damage whatever to [fol. 248] the applicant and no material damage to any individual passenger, including Jersey City passengers. Moreover, the requirement of any such refund undertaking would ignore the fact that the Railroad Company would have irretrievably lost 10/11ths of a cent per trip for every passenger using tokens on the uptown line during such period, in the event a final injunction should issue.

10. The local fares presently in effect on the lines of the Railroad Company are as follows:

8 cents between stations in New Jersey and Hudson Terminal, New York, on the downtown line;
10 cents between stations in New Jersey and stations in New York on the uptown line;
5 cents between stations in New Jersey; and
5 cents between stations in New York City on the uptown line.

The Railroad Company collects all fares for local interstate and intrastate transportation on its lines by the deposit of cash in fare collection boxes at entrance gates as follows:

All eastbound passengers entering stations in New Jersey deposit 8 cents in coins in fare collection boxes at entrance gates. Passengers traveling to Hudson Terminal, New York, on the downtown line of the Railroad Company, having fully paid the present 8-cent fare, leave that station without further payment. Passengers traveling to stations on the Railroad Company's uptown line in New York City, are required to deposit 2 cents in coins in fare collection boxes at the station of exit, thereby paying the remainder of the present 10-cent fare applicable on the uptown line.

All westbound passengers entering Hudson Terminal Station, New York, deposit 8 cents in coins in the fare

collection boxes at entrance gates. All westbound passen-
[fol. 249] gers entering stations in New York City on the uptown line deposit 10 cents in coins in fare collection boxes. All such passengers, having fully paid the present interstate fares, leave destination stations in New Jersey without further payment.

New Jersey intrastate passengers are required to deposit 8 cents in coins in fare collection boxes at entrance gates and the attendants at such boxes issue to them a refund coupon which is redeemed for 3 cents when presented to agents at destination stations in New Jersey within thirty minutes from the time of issue.

New York intrastate passengers making a northbound trip between stations from Christopher Street to 33rd Street, New York, on the uptown line pay 5 cents to agents at entrance gates and pass through turnstiles which register such fares, and are issued a coupon permitting them to exit at destination station in New York without further payment. New York intrastate passengers making a southbound trip between stations from 33rd Street to Christopher Street, New York, on the uptown line, are required to deposit 10 cents in coins in the fare collection boxes, and at destination stations in New York have issued to them by the gatemen at the exits a refund coupon which is redeemed for 5 cents by the agents at such station.

[fol. 250] 11. There is no way by which the Railroad Company can determine whether a passenger entering a station in New Jersey intends to use the uptown line or the downtown line of the Railroad Company. Accordingly, it will not be possible for the Railroad Company to issue to passengers entering stations in New Jersey any form of coupon or certificate which could be redeemed in the event it is ultimately determined that the Report and Order of the Commission dated November 2, 1943, authorizing the alternative token and dime fares are illegal and invalid. In such case a passenger who had used a token and had traveled to a station on the uptown line would owe the Railroad Company 10/11ths of a cent, whereas if such a passenger had used a dime he would have paid the full 10-cent fare authorized for transportation on such line. On the other hand, if a passenger traveling to Hudson Terminal on the downtown line had used a token, it would be necessary to issue a coupon entitling such passenger

to a refund of 1-1/11ths cents, while if a passenger had used a dime it would be necessary to issue a coupon entitling such passenger to a refund of 2 cents. Therefore, at each entrance gate at all stations in New Jersey and at Hudson Terminal Station in New York it would be necessary to distinguish passengers depositing a token, who would be entitled to receive a refund coupon redeemable for 1-1/11ths of a cent, and passengers depositing a dime, who would be entitled to receive a refund coupon redeemable for 2 cents, provided that in both instances the passenger traveled between a New Jersey station and Hudson Terminal Station in New York. It would not be possible to issue to eastbound passengers entering stations in New Jersey, destined for Hudson Terminal on the downtown [fol. 251] line, any refund coupon which would be valid without further action, although in the case of a westbound local interstate passenger from Hudson Terminal, refund coupons could be issued which would not require validation. The only conceivable method of making refunds, which, however, would be wholly impractical, would be to issue to all passengers who deposited a token a coupon redeemable for 1-1/11th cents, and to issue a different coupon to all passengers who deposited a dime which coupon would be redeemable for 2 cents, and to require both classes of passengers to present such coupons for validation to attendants at Hudson Terminal when they exited at that station.

The impracticability of such a method of refunds is demonstrated by the following facts respecting train and station operations at Hudson Terminal:

Hoboken-Hudson Terminal Service: Between 6:00 A. M. and 7:00 P. M. on weekdays these trains arrive at Hudson Terminal on Tracks Nos. 1 and 2, and normally discharge passengers to station platforms 1 and 3. However, to facilitate the arrival and departure of trains during the peak traffic period in the morning, passengers also are discharged on station platform No. 2, which is the normal loading platform, so that certain stairways between such station platform and the Concourse Floor may be used by exiting passengers. There are 16 stairways between the Concourse Floor of Hudson Termiaal and station platforms Nos. 1, 2 and 3, of which 15 are used to exit passengers from station platforms to the Concourse floor during the morning peak traffic period. During the evening peak

traffic period, 4 stairways between the Concourse Floor and station platform No. 2 are used by entering passengers and [fol. 252] 11 stairways between the Concourse Floor and station platforms Nos. 1 and 3 are used by exiting passengers.

Journal Square-Hudson Terminal Service: Trains in this service as well as trains in the New York-Newark Rapid Transit service arrive at Hudson Terminal on tracks Nos. 3, 4 and 5 during the morning peak traffic period, and on tracks Nos. 3 and 4 during the evening peak traffic period. During the morning peak traffic period passengers from both of these train services are discharged on station platforms Nos. 3, 4 and 5. There are 15 stairways between station platforms Nos. 3, 4 and 5 and the Concourse Floor at Hudson Terminal and during the morning peak traffic period 2 of such stairways are used by entering passengers and 13 by exiting passengers, including 5 stairways from station platform No. 3, which also are used by exiting Hoboken-Hudson Terminal passengers.

During the peak evening traffic period 4 stairways between the Concourse Floor and Station platform No. 4 are used by entering passengers and 11 stairways between station platforms Nos. 3 and 5 are used by exiting passengers, including 5 stairways from station platform No. 3, which also are used by exiting passengers in the Hoboken-Hudson Terminal Service.

Therefore, at Hudson Terminal during the morning peak traffic period there are a total of 23 stairways used for exiting passengers in all train services; and during the evening peak traffic period there are a total of 8 stairways used by entering passengers and a total of 17 stairways used by exiting passengers in all services.

During the peak traffic periods of the morning and evening, approximately 70,000 passengers are handled [fol. 253] through Hudson Terminal Station, trains between Hudson Terminal and stations in New Jersey arrive and depart on a 90-second headway schedule, and consist of as many as seven cars.

To provide for the validation of refund coupons by passengers exiting at Hudson Terminal Station would require not less than 68 employees who would be stationed on the Concourse Floor adjacent to the top of each stairway used by exiting interstate passengers, to whom passengers would present refund coupons for date and time stamping to

validate them. It also would be necessary to obtain such date and time stamping machines and to print refund coupons.

It would not be possible for present fare collection-box attendants to watch deposit of tokens or dimes in collection boxes and at the same time issue the appropriate refund coupon, particularly as at New Jersey stations such attendants now must issue refund coupons to New Jersey intrastate passengers. The issuance of refund coupons would require approximately fifty additional employees at Hudson Terminal Station and at stations in New Jersey, and such a method would require every attendant to be certain as to whether a token or a dime had been deposited so that such attendants might issue an appropriate refund coupon.

It is estimated that the Railroad Company would require a total of approximately 118 additional employees to issue and validate refund coupons, and would incur an expense approximately $700.00 per day for additional employees, exclusive of the cost of providing and maintaining validating machines and printing refund coupons. Validating machines could not be procured under present wartime restrictions nor could appropriate forms of refund coupons [fol. 254] be printed nor the necessary additional employees be procured and trained and appropriate changes be made by the Railroad Company at its Hudson Terminal Station to install such a refund system within any period of time it could reasonably be assumed would elapse between the date when application is being made for an interlocutory injunction and a date when the Court could be able to hear and determine the application for a permanent injunction. At the present time the Railroad Company is not able to secure sufficient employees to cover the present tours of duty in the station department, by reason whereof certain employees are required to work, including overtime, in some cases for a total of as many as twelve hours a day. The Railroad Company would have no practical means of policing the proper issuance and use of refund coupons and thus would risk the loss of substantial revenue.

Any attempt that might be made to validate refund coupons on the Concourse Floor of Hudson Terminal at the top of the exit stairways would result in a hazardous condition due to congestion on stairways and station platforms which would be occasioned by the stopping of passengers to have refund coupons validated. Such congestion might

well become so great it might result in inability to discharge passengers from subsequent trains, necessitating the holding of such trains in the eastbound tunnel outside of Hudson Terminal until it was possible and safe to permit them to enter and discharge their passengers to station platforms. Such holding of trains in the tunnel would retard the movement of all trains into and out of the station, would prevent the operation of trains on the present 90-second headway schedule, would disrupt all railroad opera-
[fol. 255] tions, and would result in serious inconvenience and delay to all passengers, particularly to passengers desiring to make connections with trains of the Pennsylvania Railroad at Newark and Exchange Place, New Jersey, with trains of the Erie Railroad at Jersey City, and with trains of the Lackawanna Railroad at Hoboken.

Walter F. Brown.

Duly sworn to by Walter F. Brown. Jurat omitted in printing.

[fol. 256] IN THE UNITED STATES DISTRICT COURT

[Title omitted]

STATE OF NEW JERSEY,
County of Hudson, ss.:

AFFIDAVIT OF ARTHUR POTTERTON IN SUPPORT OF MOTION FOR INTERLOCUTORY INJUNCTION—Filed November 26, 1943

ARTHUR POTTERTON of full age, being duly sworn according to law, upon his oath deposes and says:

1. I am the Director of Revenue and Finance of Jersey City and also the Acting Mayor of Jersey City, and am fully acquainted with the matters involved in this litigation from my own knowledge. I have been a public official of Jersey City for many years and am peculiarly acquainted with the financial problems of the city, real estate values, and all of the factors which directly and indirectly affect the business and financial interests of the inhabitants of our city.

2. I have read the affidavit of Walter F. Brown submitted in opposition to the motion for interlocutory injunction applied for by the City of Jersey City.

3. Specifically replying thereto, I deny the statement made in said affidavit and contained in paragraph numbered 7 thereof, wherein it is stated that "if an interlocutory injunction is denied and this court on final hearing should grant a permanent injunction, in the interim between such denial and such permanent injunction (a) there can be no pecuniary damage whatever to the applicant, Jersey City."

[fol. 257] 4. The facts are that the areas of Jersey City in and around Journal Square and Grove Street of the Hudson & Manhattan Railroad in Jersey City have many retail establishments which compete, for their existence, with retail establishments located in New York City and elsewhere. Their existence is dependent, to a considerable extent, upon the number of persons utilizing the facilities of the Hudson & Manhattan Railroad, who consequently pass the vicinity of these business establishments and accordingly patronize them. Any diminution of the Hudson & Manhattan patronage precipitated by the establishment and effectiveness of excessive and unreasonable fares will materially affect the continued existence of these retail establishments. To the extent that the maintenance of industry and commerce is essential to the welfare of Jersey City, as obviously it is, and as has been recognized by the New Jersey Legislature (R. S. 40:48-1), giving municipalities the right to appropriate funds for advertising its advantages, the irreparable damage to the property rights of the retail dealers becomes the irreparable damage of the City of Jersey City.

5. The effectuation of the increased fare will lead to a substantial diminution of the number of persons using the facilities of the Railroad Company, a consequent serious decrease in the number of persons trading with business establishments throughout the city, and particularly those in the immediate vicinity of the termini of the Railroad Company in the city, a lessening of property values with its attendant serious effect upon municipal ratables, increases in the tax rates, and thereby an increase in the burden of the cost of government upon the remainder of the population in the city. Further, an inevitable loss of industry will ensue upon the competitive disadvantages of Jersey City's business and industry in the labor market. This is a particularly acute problem at the present time because of the [fol. 258] tightness of the labor market and any newly created deterioration of the labor market available to the

City of Jersey City and its industries will, therefore, find an immediate reaction in the departure of industries and businesses which require such labor.

6. The City of Jersey City is in sharp competition with surrounding territories on both sides of the Hudson River for home owners, rent payers, and industries. Transportation facilities and the cost thereof is of tremendous importance with respect hereto.

7. The interests of the City of Jersey City in respects which are plainly the proper and legitimate concern of the city, are seriously, gravely and irreparably affected in a pecuniary sense by the imminence of the proposed change of rate.

8. It is obvious that the pecuniary interests of the City are not to be determined upon the same basis as one would judge the pecuniary interests of a private corporation. The city is not a commercial organization geared to make a profit. The pecuniary interests of the city are those of its inhabitants, workers and industries, and anything which directly and inevitably affects their pecuniary interests, necessarily, and in the same sense, affects those of the city. If there were any doubt as to this, the Legislature of New Jersey has completely dispelled it by its indication in R. S. 40:48-1, that every municipality has the right to appropriate moneys to advertise the advantages of the city. This is plainly a recognition that the commercial advantages and interests of its inhabitants are the direct concern of the municipality itself.

9. I have testified in the proceedings which came within the order of the Interstate Commerce Commission bearing [fol. 259] date July 11, 1938. Commissioner Eggers testified in the proceedings which culminated in the order of August 8, 1943. In both of these proceedings our testimony established that the City of Jersey City would suffer irreparable damage from the increase in fare to ten cents. I reiterate what I have testified in the former proceedings. The ten cents fare on the downtown line of the Hudson & Manhattan Railroad would work havoc with our ratables; real estate would become depreciated; our people would move from their homes and seek places where they could get cheaper transportation to and from their work; and the

people of our city, as well as the municipality, would suffer untold damage if a ten cents rate would be permitted.

Arthur Potterton.

Duly sworn to by Arthur Potterton. Jurat omitted in printing.

[fol. 260] In the District Court of the United States
City of Jersey City, Plaintiff,

and

Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator, Intervenor,

v.

United States of America, Interstate Commerce Commission and Hudson & Manhattan Railroad Company, Defendants

Per Curiam Opinion on Interlocutory Injunction—Filed December 1, 1943

Appearances:

Charles E. Hershenstein, Esq., Charles A. Rooney, Esq., S. S. Eisen, Esq., Attorneys for City of Jersey City; Edward M. Reidy, Esq., Attorney for Interstate Commerce Commission; Collins & Corbin, Esqs., by James B. Emery, Esq., John J. Finnerty, Esq., Thomas A. Hal'oran, Esq., John E. Buck, Esq., Attorneys for Hudson & Manhattan Railroad Company; Harry R. Booth, Esq., Attorney for Office of Economic Stabilization, by Chester Bowles, Price Administrator.

McLaughlin, Circuit Judge and Fake and Meaney, District Judges:

It appears upon the face of the record that after hearing and argument a certain order was entered by the Interstate [fol. 261] Commerce Commission on June 8, 1943, fixing and establishing certain passenger rates or tariffs on the line of the Hudson & Manhattan Railroad Company between the City of Jersey City and the City of New York, and thereafter, on November 2, 1943, the Commission, for reasons which appear in the record, increased the said rates or

tariffs. It is argued here that both these orders should be enjoined, laying emphasis upon the latter because neither the City of Jersey City nor the Office of Price Administration, which intervened in this proceeding, was afforded an opportunity to cross examine on the evidence adduced relating to the subject dealt with, and that they were precluded from introducing evidence to meet the issues raised. The Commission's order permits the increase of rates or tariffs to become effective on Monday, November 29, 1943, and we have this day, Friday, November 26, 1943, received briefs and entertained oral arguments covering the issues raised, thus being forced to take action on extremely short notice.

Relating to the rights of the Office of Price Administration, we find the following:

1. It is entitled to intervene herein pursuant to statute. It has done so.

2. It has an interest in that it is charged with the duty of enforcing the stabilization of prices in this critical war period.

3. The consideration of passenger rates is within the sphere of its authority to appear herein, and it has an interest in the rates to the extent that they may affect stabilization.

4. The rights of the Office of Price Administration cannot [fol. 262] exhaustively be gone into by this Court in the short space of time between Friday and Monday.

Relating to the rights of Jersey City, it is found:

1. The City of Jersey City is a proper party to these proceedings and has a right to appear and defend, and has acquired a standing as a party before the Interstate Commerce Commission.

2. The City is authorized by law to raise by taxation and spend money so raised to advertise the City as a desirable place in which to locate industries and residences. The exercise of this right is decreased in value by the increase of rates herein complained of.

It is the opinion of the Court that injunctive relief should be offered in this cause, staying the operation of the rates

and tariffs established as aforesaid and maintaining the status quo ante to the end that a full and complete hearing may be afforded all parties before the said rates and tariffs shall take effect. An interlocutory injunction will therefore be issued, staying the force and effect of the two orders hereinbefore referred to for a period of fifty days hereafter, and the cause is hereby set down for final hearing on the 4th day of January, 1944.

With reference to the necessity of the municipal plaintiff being required to give a bond, as we see it, there is no obligation on the part of such branch of Government to furnish a bond in this proceeding.

[fol. 263] IN THE DISTRICT COURT OF THE UNITED STATES

CITY OF JERSEY CITY, Plaintiff,

and

FRED M. VINSON, Economic Stabilization Director, by CHESTER BOWLES, Price Administrator, Intervenor,

v.

UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, and HUDSON & MANHATTAN RAILROAD COMPANY, Defendants

FINDINGS AND INTERLOCUTORY INJUNCTION—November 26, 1943

This matter coming on to be heard before a statutory court consisting of Honorable Gerald McLaughlin, Judge of the Circuit Court, and Honorable Guy L. Fake and Honorable Thomas F. Meaney, Judges of the District Court, upon the application of the plaintiffs to enjoin *pendente lite* the orders of the Interstate Commerce Commission bearing dates of June 8, 1943, and November 2, 1943, in the presence of Charles Hershenstein, Charles Rooney and S. S. Eisen appearing for the plaintiff, City of Jersey City, Harry R. Booth appearing for Economic Stabilization Director Vinson and Price Administrator Bowles, intervening plaintiff and John Finerty and John Buck appearing for the Hudson & Manhattan Railroad Company, and E. M. Reidy appear-
[fol. 264] ing for the Interstate Commerce Commission,

defendants, and the Court having heard the argument of counsel and considered the briefs, being of the opinion that;

(1) The plaintiffs, City of Jersey City and the Director are proper parties to bring and maintain this proceeding as plaintiffs herein.

(2) That under the Interstate Commerce Act and Acts amendatory thereof, and supplementary thereto, the Interstate Commerce Commission was and is required to afford all parties properly before it a fair and full hearing.

(3) That the City of Jersey City and the Director properly appeared as protesting parties before the said Interstate Commerce Commission and were and are entitled to the aforesaid full and fair hearing.

(4) In addition to the above, the Director, representative of the President, under the Act of October 2, 1942, c. 578, 56 Stat. 765, 50 U. S. C. (App.), intervened in said proceedings with the consent of the railroad company, defendant herein, as required by law, for the purpose of preventing an increase in the fares of said railroad to the extent that such fares would conflict with the stabilization legislation enacted by Congress, to aid in the prosecution of the War, and under said legislation the Director was entitled to a fair and full hearing.

(5) That the pleadings and the argument herein and the record before the Interstate Commerce Commission discloses that neither said City of Jersey City nor said Director, jointly or individually, was afforded a full and fair hearing by the said Commission, in that they were individually and jointly denied the opportunity to present evidence and testimony, including the right to cross-examine witnesses on material matters of a probative nature bearing upon the right of the said railroad to an increase in its fares over and above those in effect on September 15, 1942, under the said Interstate Commerce Act, Acts amendatory thereof and supplementary thereto, and the said Act of October 2, 1942.

(6) That the national interest requires that the fares of the said railroad be maintained as currently in effect,

which present fares are the same as those in effect on September 15, 1942, pending final hearing of this cause.

(7) That irreparable damage to the said City of Jersey City and the said Director will result if the reports and orders of the Interstate Commerce Commission dated June 8, 1943, and November 2, 1943, in this proceeding, are not temporarily restrained and enjoined.

[fols. 265-284] Now Therefore, good cause appearing therefor,

It is on this 26 day of November, 1943, Ordered that the defendants, The United States of America, Interstate Commerce Commission and Hudson & Manhattan Railroad Company, be, and they are hereby restrained and enjoined, pending the final hearing in the proceeding entitled above for a period of fifty days from the date of this order, and until the further order of the Court, from putting into effect the report and orders of the Interstate Commerce Commission bearing date June 8, 1943, and November 2, 1943, in so far as such orders permit the establishment of any local interstate fare in excess of 8 cents for transportation on the downtown line of defendant, Hudson & Manhattan Railroad Company.

It is further ordered that final hearing in this cause will be had December 14, 1943, at 10:30 o'clock in the forenoon at the Post Office Building, Newark, N. J.

(S.) Gerald McLaughlin, Guy L. Fake, Thomas F. Meaney.

[fol. 285] In the United States District Court

[Title omitted]

Transcript of Hearing on Application for Permanent Injunction

Newark, N. J., Tuesday, December 14, 1943.

Before Hon. Gerald McLaughlin, U. S. C. J., Hon. Guy L. Fake, and Hon. Thomas F. Meaney, U. S. D. J.

Appearances: Charles E. Rooney, Esq., Charles A. Hershenstein, Esq., S. S. Eisen, Esq., For the Plaintiff; Charles A. Stanziale, Esq., Paul Mulcahy, Esq., For the United

States of America; Harry R. Booth, Esq., Utilities Counsel, representing Economic Stabilization Director, Fred M. Vinson, and Price Administrator Chester Bowles, as intervening plaintiffs. Edward M. Reidy, Esq., For the Interstate [fol. 286] Commerce Commission. John E. Buck, Esq., Thomas A. Halloren, Esq., John A. Finerty, Esq., James B. Emery, Esq., For the defendant, Hudson & Manhattan Railroad Company.

OPENING STATEMENT

Mr. Hershenstein: May it please your Honors, this is the final hearing upon the complaint filed by Jersey City, in which complaint the Director of Economic Stabilization and the Office of Price Administrator intervened, for a final injunction against the Interstate Commerce Commission and the Hudson & Manhattan from establishing the increased fares permitted under the orders of the Interstate Commerce Commission bearing date June 8, 1943 and November 2, 1943.

May I at the outset direct your Honors' attention to the fact that paragraph 2 of the complaint of Jersey City, namely, that plaintiff is a municipal corporation in the County of Hudson and State of New Jersey, and is a body politic, has been admitted in the answers both of the Interstate Commerce Commission and the railroad.

Counsel for the railroad and the Interstate Commerce [fol. 287] Commission have also agreed and consented that the orders annexed to our bill of complaint are true copies of the orders and determinations of the Interstate Commerce Commission, and may be offered in evidence with the same probative value as if the originals or certified copies of the orders had been produced upon this, the final hearing.

I understand that's correct.

Mr. Finerty: That is correct.

Mr. Hershenstein: May I also direct your Honors' attention to the record which has been submitted here in these proceedings, and may I ask, if your Honors please, that the record be marked P-1? We have referred to the record as P-1 in our briefs. It has not been marked at the previous hearing.

Judge McLaughlin: Is it complete now? Is the record complete?

Mr. Hershenstein: The record which we submitted to the clerk here of all the prior proceedings pending before the Interstate Commerce Commission.

Judge McLaughlin: All right, let it be marked.

Mr. Finerty: May it please the Court,—Mr. Hershenstein, I am not certain that the record is complete.

Mr Hershenstein: Yes, it is complete.

[fol. 288] Mr. Finerty: Is it?

Mr. Booth: No, I was going to suggest to the Court that we have not been able to check the record that's been filed with the Court. It may be a few exhibits are missing. We would like to reserve the right, with the permission of the Court and the permission of the parties, unless there is some objection here, to again check the exhibits and the transcript that have been filed, if we might be given five days or a week to do it, and then supply whatever deficiency in the record there might possibly be. I have been in Washington since the day of the last session of the court here and we haven't had——

Judge McLaughlin: Well, Mr. Booth, I think that ought to be done as quickly as possible. I don't know whether everybody needs five days to check the record.

Mr. Booth: It isn't five days to check it; it is five days including the time to check it and to get up the exhibits that might be missing. Some of them may have to be typed. We could probably check it today or tomorrow.

Judge McLaughlin: Well, suppose we mark it in evidence subject to the check by both sides. You say five days.

Mr. Booth: Well, I suggest——

[fol. 289] Judge McLaughlin: What do you say, Mr. Finerty?

Mr. Finerty: I see no reason why the exhibits can't be supplied immediately. I certainly would undertake to supply any missing, on our part, today.

Mr. Eisen: Well, we have all of ours in New York, Mr. Finerty. If you will undertake to do that, I think we can bring the record up to date today.

Mr. Finerty: Yes.

Judge McLaughlin: Before the hearing is closed.

Mr. Booth: Yes, sir, during the lunch recess.

Judge McLaughlin: Then suppose we hold off the actual marking. It could be marked for identification.

Mr. Finerty: Well, I don't understand that even when that is done and all the exhibits are supplied, it forms the

record, your Honor. I understand it is the transcript of the hearings.

Judge McLaughlin: That's what I understand.

Mr. Finerty: And the exhibits filed on the hearings, but does not represent the record before the Commission.

Mr. Eisen: It doesn't contain the pleadings.

Mr. Finerty: That's right; or the orders of the Commission.

Mr. Eisen: Well, the orders of the Commission are attached to our bill of complaint.

[fol. 290] Mr. Finerty: Certain of them are. There are certain other orders that are not attached; for instance, the order permitting the intervention of the OPA, and so forth.

Judge Meaney: Well, have you those, Mr. Finerty?

Mr. Finerty: We intend to supply them, your Honor.

Judge Meaney: All right; fine.

Mr. Hershenstein: May I also, if your Honors please, direct your Honors' attention to the testimony of Judge Frank Eggers on page 1437 of the record marked P-1, and his cross examination, which is part of the record. That testimony, if your Honors please, deals with the situation of Jersey City and its citizens, and the effect of any increased fare upon the industries and the general welfare of the people of Jersey City.

May I also direct your Honors' attention to the colloquy of court and counsel annexed to the intervening petition of the Director of Economic Stabilization and the Office of Price Administrator, which I take it counsel admits is a true copy taken from the proceedings marked P-1, which colloquy, if your Honors please, indicates first that Jersey City and the intervenors offered in evidence before the Interstate Commerce Commission at its reopened hearings, proof and exhibits, the purpose of which, as stated by coun-

[fol. 291] sel and as indicated by the colloquy, was to demonstrate to the Commission that the Hudson & Manhattan Railroad Company has increased its traffic by at least 30 per cent over its traffic in the year 1941, and that that proof is proof which the Interstate Commerce Commission had in its prior order directed and indicated that it would be unnecessary, should such a percentage of increase result, for the Hudson & Manhattan Railroad Company to receive any increase in fare over the present 8-cent fare.

Secondly——

Mr. Finerty: Mr. Hershenstein, I don't want to interrupt your argument but you seek unintentionally to commit me to certain statements that you say I will admit. Now, I——

Mr. Hershenstein: All we want you to admit is that that colloquy is a true copy——

Mr. Finerty: I prefer you to make your own statements.

Mr. Hershenstein: It is, if your Honors please.

Mr. Finerty: I am willing to admit part of what you say without following you through to the conclusion.

Mr. Hershenstein: All right.

Secondly, the colloquy indicates, if your Honors please, [fol. 292] that the City of Jersey City and the intervenors insisted upon their right to cross examine the witnesses produced by the Railroad Company at the hearings before the Interstate Commerce Commission for the purpose of proving that their revenue requirements are not those which they have insisted were necessary for the proper operation of the road.

Thirdly, that the breakdown of what they maintained was necessary expenditures upon their part and which they took into consideration in determining their revenues—they were in fact not proper items deductible from their reports.

And further, that in view of the fact that this is in fact a revenue case, we had the right to cross examine the witnesses of the Railroad in that respect and offer our own proof, but that the Examiner refused to permit us to cross examine the witnesses or introduce any such evidence; and that upon the ground, if your Honors please, that he was circumscribed by the order of the Commission directing the reopening of the proceedings, which order, he contended, limited the proceedings merely to a determination as to whether or not the Interstate Commerce Commission should revise its earlier report and permit the Railroad Company to introduce a token system, and refused to enter- [fol. 293] tain any other testimony than testimony upon that score.

Judge McLaughlin: You say that that is all set out in the transcript?

Mr. Hershenstein: Yes, sir.

Judge McLaughlin: And apparently that that particular part of the transcript is attached to the Stabilization Director's intervening petition; is that right?

Mr. Hershenstein: Correct, sir.

Judge McLaughlin: All right. Go ahead.

Mr. Hershenstein: I am stating these facts, may it please the Court, without necessitating going through the entire record, and which I think are the pertinent parts of our case.

Judge McLaughlin: All right.

Mr. Hershenstein: Finally, if your Honors please, may I direct your Honors' attention to the order and conclusion——

Judge McLaughlin: Before you get to that, I am not quite clear on what you are marking and what you are not marking. Are the pleadings here? Is it your idea to offer some of the pleadings in evidence?

Mr. Hershenstein: If your Honor please, the PA is offered in evidence; what I have said to you——

Judge McLaughlin: That's the transcript—wait a min-
[fol. 294] ute—that's the transcript and some of the pleadings?

Mr. Hershenstein: That is the entire transcript.

Judge McLaughlin: All right.

Mr. Hershenstein: Before the Interstate Commerce Commission.

Judge McLaughlin: All right.

Mr. Hershenstein: Containing everything——

Judge McLaughlin: Now, in addition to that, you wanted to offer the two orders of the Commission.

Mr. Hershenstein: Yes, sir.

Judge McLaughlin: I don't think you have put those in evidence yet.

Mr. Hershenstein: Yes, they are offered. That's all in here.

Judge McLaughlin: Are they in evidence?

Mr. Hershenstein: Yes, sir. P-1 now is in evidence.

Judge McLaughlin: Two orders of the Commission from which you are appealing, you apparently intended to put them in evidence.

Mr. Hershenstein: Oh.

Judge McLaughlin: Are they in evidence?

Mr. Hershenstein: I have said, if your Honor please, in my opening, that Mr. Finerty and the Interstate Commerce
[fol. 295] Commission——

Judge McLaughlin: You said that they admit the copies are the same. Well, have you offered the copies in evidence?

Mr. Hershenstein: No. I understand, if your Honor please, the pleadings are always in evidence, but I will offer them.

Judge McLaughlin: That's what I am trying to get clear.

Mr. Hershenstein: Yes, sir.

Judge McLaughlin: Are you making some specific offer of those two orders?

Mr. Hershenstein: I will now offer them, if your Honor please, specifically, to be marked——

Judge McLaughlin: Because, after all, you are appealing from them. You put in your own proof, of course. We just want to get clear on what you are doing.

Mr. Hershenstein: All right, sir.

Judge McLaughlin: All right. Go ahead.

Mr. Hershenstein: I will do that in just one moment. Well, perhaps I had better do it now.

I therefore formally offer in evidence, if your Honors please, the orders, all of the orders, marked as Exhibits 1, 2, 3, 4, 5, 6, and 7, which orders are annexed to my amended bill of complaint, and ask that they be marked [fol. 296] as an exhibit.

Judge McLaughlin: Now, so we get clear as to the offer, which of those orders are the two that we are directly concerned with?

Mr. Hershenstein: Exhibit No. 2, sir, is the order of June 8, 19——

Judge Meaney: What page is that in the complaint, the amended complaint?

Mr. Hershenstein: The amended complaint——

Judge Meaney: What page?

Mr. Hershenstein: It begins, sir, Exhibit No. 2 is——

Mr. Eisen: Page 30.

Judge Meaney: Page 30?

Mr. Hershenstein: I am just coming to it. Correct, sir; page 30. And Exhibit 7, on page——

Mr. Eisen: 71.

Mr. Hershenstein: —71, is the order of November 2, 1943.

Judge McLaughlin: What's the next one?

Mr. Eisen: Page 71.

Mr. Hershenstein: Exhibit No. 7, sir, begins with page 71.

Now, supposing we have these formally marked and I will supply extra copies.

[fol. 297] I suppose this will be P-2.

The Clerk: Marked as Exhibit P-2 in evidence.

Mr. Hershenstein: Page 71.

The Clerk: Marked as P-3 in evidence.

Mr. Hershenstein: I now offer, if your Honors please, the report of the Interstate Commerce Commission dated July 11, 1938, which is Exhibit 1, beginning on page 13, of the amended complaint.

The Clerk: Marked as Exhibit P-4 in evidence.

Mr. Hershenstein: I offer, if your Honors please, the report of the Interstate Commerce Commission dated August 3, 1943, which begins on page 45, referred to as Exhibit 3 in the amended complaint.

The Clerk: Marked as Exhibit P-5 in evidence.

Mr. Hershenstein: I offer, if your Honors please, in evidence the petition of the Hudson & Manhattan Railroad Company dated July 8, 1943, for reconsideration and modification of the findings made by the Commission in its report on further hearing, which is Exhibit 4 of the amended complaint, beginning on page 53.

The Clerk: Marked as Exhibit P-6 in evidence.

Mr. Hershenstein: I offer in evidence the reply of the protestants, dated July 14, 1943, to the said petition of the Hudson & Manhattan Railroad Company which I have just [fol. 298] offered in evidence, and which bears date July 8, 1943, which is Exhibit 5 of the amended complaint, beginning on page 66.

The Clerk: Marked as Exhibit P-7 in evidence.

Mr. Hershenstein: I offer in evidence the order of the Interstate Commerce Commission dated September 18th reopening the proceedings for further hearing, and circumscribing the plaintiff's right to produce evidence, referred to as Exhibit 6 in the amended complaint on page 7.

The Clerk: Marked as Exhibit P-8 in evidence.

Mr. Hershenstein: May I now, if your Honors please, direct you Honors' attention to the statement by the Interstate Commerce Commission bearing directly upon the offer of proof which we have proffered to the Commission, which proof the Commission refused to entertain and admit. That statement, if your Honors please, is found on page 73 of the amended complaint and is part of exhibit marked P-3, which is the order of the Interstate Commerce

Commission of November 2, 1943. That's the last of the two orders. That statement in the paragraph just ahead of the subdivision "Findings of fact," about the middle of the paragraph, reads:

> "Considering the contents of the motion now before us and the offers of additional evidence made at the [fol. 299] recent further hearing, we have no reason to believe that if the additional hearings sought were held, we would feel warranted in modifying our findings as made in the second report."

I direct your Honors' attention to that fact, indicating clearly that the Commission not only refused to entertain our evidence, but pre-judged what the evidence would show, and said that even if it was introduced, they probably wouldn't change their views.

With that, if your Honors please, we rest.

One thing more—just pardon me.

May I also direct your Honors' attention to Exhibit No. F-93, which is part of P-1 introduced in this cause, which exhibit indicates the number of passengers originating in the Jersey City stations for the year 1941, and discloses that at Journal Square there originated in 1941, 9,466,276 passengers; at Grove and Henderson Streets, 4,547,542 passengers; at Exchange Place, 3,748,728 passengers.

Judge McLaughlin: Mr. Hershenstein, is that set-up somewhere attached to any of the pleadings?

Mr. Hershenstein: No.

Judge McLaughlin: It isn't? All right.

Mr. Hershenstein: It merely is part of the record——

[fol. 300] Judge McLaughlin: All right; I understand.

Mr. Hershenstein: I am sorry; there is no way of identifying it other than that.

Judge McLaughlin: All right.

Mr. Hershenstein: I might conclude my presentation of our case by saying that with your Honors' permission, I should like to include the argument which I made; you will probably hear some argument on this in this case after the case is in, but as part of our case I should like to include the argument which we made in our opening and closing statements to your Honors upon the preliminary injunction.

Mr. Booth: If the Court please, while I believe the record will include the entire transcript of the testimony taken before the Commission, I think nevertheless we would like to have admitted in evidence as Exhibit No. 1 what is exhibit attached to our complaint—to our intervening petition—Exhibit A, beginning at page 10, which are certain extracts from the transcript at the reopened hearings on September 28th, beginning with page 10 and to the middle of page 25, inclusive; and as Intervenors' Exhibit No. 2——

Mr. Finerty: Mr. Booth, if you will pardon me.

Mr. Booth: Yes.

Mr. Finerty: I want to object to the offer of the Exhibit A [fol. 301] attached to your petition of intervention, on the ground that it is a duplicate or a duplication of part of Exhibit P-1, and unnecessary.

Judge McLaughlin: Have you finished your offer, Mr. Booth?

Mr. Booth: Not of all the exhibits, but I have finished——

Judge McLaughlin: Have you finished the offer on this particular exhibit?

Mr. Booth: Yes; that's right.

Judge McLaughlin: Well, why isn't that the fact? What you are doing, I suppose, is merely calling special attention to part of the transcript; isn't that it?

Mr. Booth: That's correct. I will agree that——

Judge McLaughlin: With the record in evidence, I would be inclined to agree with Mr. Finerty.

Mr. Booth: Then I will withdraw my offer.

Judge McLaughlin: All right.

Mr. Booth: Then there will be marked as Intervenors' Exhibit No. 1, the petition—the motion of the Economic Stabilization Director dated October 14th, which is attached to our intervening petition as Exhibit C, pages 26-29, inclusive.

I ask that that be marked as Intervenors' Exhibit No. 1. [fol. 302] The Clerk: Marked as Intervenors' Exhibit No. 1 in evidence.

Mr. Booth: I would also like to have marked as Intervenors' Exhibit No. 2, the reply of the Director and the Administrator to your petition for reconsideration and modification.

This is the copy, which I will be glad to hand you——

Mr. Finerty: All right.

Mr. Booth: That is to be marked Intervenors' Exhibit No. 2.

The Clerk: Yes.

Mr. Finerty: That reply of July 19th——

Mr. Booth: July 19, 1943.

Mr. Finerty: Yes.

The Clerk: Marked as Intervenors' Exhibit No. 2 in evidence.

Mr. Booth: I would like also to mark as Intervenors' Exhibit No. 3, exceptions filed on behalf of the Price Administrator to the report of the Examiner, Trezise, which was filed in this case. That's dated March 8, 1943.

Mr. Finerty: Yes.

The Clerk: Marked as Intervenors' Exhibit No. 3 in evidence.

Mr. Booth: And as Intervenors' Exhibit No. 4, the brief [fol. 303] of Economic Stabilization Director upon the reopened hearing, and that's dated October 14, 1943. That was filed with the Commission.

The Clerk: Marked as Intervenors' Exhibit No. 4 in evidence.

Mr. Booth: I understand that Mr. Reidy will submit to the Court as an exhibit the order of the Interstate Commerce Commission allowing the Director and Price Administrator to intervene before the Commission.

Mr. Mulcahy: Yes. Yes, your Honors, that is the order of November 13, 1942.

Mr. Booth: I don't know just how much time the Court has in mind for the argument on the question of the final, permanent injunction. We have prepared a brief, which we planned to submit to the Court. I don't know how much time counsel for the Railroad plans to take.

Judge McLaughlin: Are you finished now?

Mr. Booth: I have finished with the offer of exhibits, yes.

Judge McLaughlin: Well, we will see. You rest then, do you?

Mr. Booth: Yes. I adopt the exhibits offered by counsel [fol. 304] for the City of Jersey City as our exhibits, also.

Judge McLaughlin: All right. What's your idea, Mr. Finerty, on your side here, now, as to time?

Mr. Finerty: Well, of course, what argument we make will be——

Judge McLaughlin: I am not talking so much about argument. I suppose you have some offers there?

Mr. Finerty: Yes, we have.

Judge McLaughlin: Which won't take very long.

Mr. Finerty: I can make them now, if it is agreeable to the Court.

Judge McLaughlin: Exactly. Well, I think Mr. Booth, we will let Mr. Finerty go ahead and make his offers, and then we will see about the time for argument a little later; and that, of course, includes any offers on behalf of the Commission also.

Mr. Mulcahy, you are here for Mr. Reidy today, are you?

Mr. Mulcahy: Yes, sir.

Mr. Finerty: If you will indulge me a moment, your Honor.

Judge McLaughlin: Certainly.

Mr. Finerty: So much of what we were going to offer has been offered, I don't want to duplicate it.

Judge McLaughlin: All right.

[fol. 305] Mr. Finerty: I desire to offer in evidence, your Honors as—how shall I mark it?

Judge McLaughlin: I suppose as Hudson & Manhattan 1.

The Clerk: We have Exhibits 1 and 2 here. They were offered previously, at the last hearing. The next number would be 3.

Mr. Finerty: Now, on the interlocutory injunction, your Honor, there were two exhibits filed as 1 and 2.

Judge Meaney: Suppose you adopt those now and then mark this one 3.

Mr. Finerty: 3; very well. I ask that there be considered in evidence Exhibits 1 and 2 marked on the hearing on the interlocutory injunction.

Judge McLaughlin: And what are they, Mr. Finerty?

Mr. Finerty: Exhibit D-1 is reply of Hudson & Manhattan Railroad Company to motion of Fred M. Vinson, Economic Stabilization Director, by Prentiss Brown, Price Administrator, for modification and amendment of the Commission's order of September 18, 1943, and for reopening.

Exhibit D-2 is a letter addressed by Mr. Hershenstein and Mr. Eisen to Mr. Bartel, secretary of the Interstate

Commerce Commission, dated October 26, 1943, purporting to adopt the petition of the Director of Price Administra-
[fol. 306] tion, for modification of the order of September 18, 1943.

I offer as Exhibit D-3, petition of June 27, 1942, for the reopening of the proceedings herein, for further hearing, et cetera.

The Clerk: Marked as Exhibit D-3 in evidence.

Mr. Finerty: I offer in evidence as Exhibit D-4, the reply of the City of Jersey City to the petition of the Hudson & Manhattan Railroad Company for such reopening, such reply being dated July 6, 1942.

The Clerk: Marked as Exhibit D-4 in evidence.

Mr. Finerty: I offer in evidence as Exhibit D-5 the reply of the Hudson Bus Transportation Company, et al., Protestants, dated——

Judge Meaney: D-5, what's that?

Mr. Finerty: The Hudson Bus Transportation, et al., Protestants, reply of July 10, 1942 to the petition of the Hudson & Manhattan Railroad Company for reopening. That is the answer filed by Mr. Behr.

The Clerk: Marked as Exhibit D-5 in evidence.

Mr. Finerty: I offer in evidence as Exhibit D-6, copy of a letter of October 17, 1942 from Harry R. Booth, Utilities Counsel, legal division, Office of Price Administration, to W. P. Bartel, secretary of the Interstate Commerce Commission, asking leave to file a brief as intervenor in the
[fol. 307] proceedings before the Commission, under the provisions of the Act of October 2, 1942.

The Clerk: Marked as Exhibit D-6 in evidence.

Mr. Finerty: I offer in evidence as Exhibit D-7, the notice and consent to intervention directed to the Price Administrator as representative of the Director of Economic Stabilization by the Hudson & Manhattan Railroad Company, dated November 9, 1942.

The Clerk: Marked as Exhibit D-7 in evidence.

Mr. Finerty: I offer as Exhibit D-8, the report proposed on further hearing by the Examiner, R. N. Trezise, of the Interstate Commerce Commission.

Judge Meaney: What is that dated, Mr. Finerty?

Mr. Finerty: Do you know the date of this report?

Mr. Booth: Is that properly in evidence in this case?

Judge Meaney: Well, it is offered.

Mr. Booth: Isn't it dated?

Mr. Finerty: No, the copy is not dated.

I may say, your Honors, it is the proposed report of the Examiner, preceding the order of June 8th——

Judge Meaney: How do you spell his name?

Mr. Finerty: T-r-e-z-i-s-e, Trezise.

Mr. Hershenstein: As I understand it, if your Honor please, this report of Trezise was overruled by the Com-
[fol. 308] missioners and an order made by the Commission upon due determination of the Interstate Commerce Commission.

Judge McLaughlin: Well, it is not offered as a report; it is offered as a proposed report. Do you object to it?

Mr. Hershenstein: Yes. No, I have no objection to it.

Judge McLaughlin: Do you object to it, Mr. Booth?

Mr. Booth: No, no objection.

Judge McLaughlin: All right. That's No. 8.

Judge Meaney: Well, approximately when, Mr. Finerty? Just an approximation of the date.

Mr. Finerty: Approximately January 25, 1943.

Judge Meaney: Around January.

Mr. Finerty: Yes.

The Clerk: Marked as Exhibit D-8 in evidence.

Mr. Finerty: We will advise the Court later as to that date.

Judge Meaney: No, it is just an approximation that I want, that's all.

Mr. Finerty: It was some time in the latter part of January or the early part of February, 1943.

Judge Meaney: All right.

Mr. Finerty: I offer in evidence as Exhibit D-9, excep-
[fol. 309] tions of the New Jersey protestants to the report proposed by Examiner Trezise.

The Clerk: Marked as Exhibit D-9 in evidence.

Mr. Finerty: I offer in evidence as Exhibit D-10, the reply of the Hudson & Manhattan Railroad Company to the exceptions to the report of Examiner Trezise, the reply going both to the exceptions of the City of Jersey City and of the Office of Price Administrator, and the reply being dated March 18, 1943.

The Clerk: Marked as Exhibit D-10 in evidence.

Mr. Finerty: Now, your Honor, Mr. Reidy advised me over the telephone yesterday that he expected to file here a copy of the oral argument before the Commission of April 20, 1943. Mr. Reidy, as the Court has been advised,

is ill, and that copy is not here but we can supply one. It would logically come at——

Judge McLaughlin: I think Mr. Mulcahy will probably know about that.

What is it, Mr. Mulcahy?

Mr. Mulcahy: That is true, your Honor. Mr. Reidy is ill, and he asks permission of the Court to forward that to the Court, the oral argument of April 20, 1943, before the Interstate Commerce Commission.

Judge Meaney: Well, have you it, Mr. Finerty?

Mr. Finerty: I haven't a copy here with me.

[fol. 310] Have you one?

I haven't a copy here, your Honor.

Judge McLaughlin: Well, let Mr. Reidy forward it. Is there any objection to that being done?

Mr. Hershenstein: No objection, if your Honor please.

Judge McLaughlin: All right.

Mr. Finerty: Can it be——

Judge McLaughlin: Are you finished with your exhibits, Mr. Finerty?

Mr. Finerty: Almost; not quite.

Judge McLaughlin: All right. We will hold that for a moment. You want that to go in as Mr. Reidy's?

Mr. Finerty: Could that be marked as Exhibit D-11?

Judge McLaughlin: Well, Mr. Mulcahy, is Mr. Reidy going to have other exhibits?

Mr. Mulcahy: Yes, your Honor.

Mr. Finerty: I will withdraw that offer, subject to Mr. Reidy's re-offering it.

I desire to offer as Exhibit D-11 a stipulation entered into between counsel for the various parties upon the oral argument, with reference to certain traffic statistics.

The Clerk: Marked as Exhibit D-11 in evidence.

Judge McLaughlin: What was the date of the oral argu-

[fol. 311] ment, Mr. Finerty, please?

Mr. Finerty: April 20, 1943.

I might substitute this copy, if you don't mind; that's all marked up.

(Substituted copy marked Exhibit D-11 in evidence.)

Mr. Finerty: That completes our offers, may it please the Court.

Judge McLaughlin: All right. Then you rest, do you?

Mr. Buck: That's subject to Mr. Reidy's producing certain——

Mr. Finerty: Well, I understand Mr. Mulcahy is going to make certain offers now.

Mr. Mulcahy: On behalf of Mr. Reidy, of the Interstate Commerce Commission, your Honors, we desire——

Judge McLaughlin: Is Mr. Reidy better, Mr. Mulcahy? Is he better? Does he feel better?

Mr. Mulcahy: He is better, your Honor.

Judge McLaughlin: All right. Go ahead.

Mr. Mulcahy: He desires to have made part of the record the order of July 13, 1942, reopening the case of the petition of Hudson & Manhattan Railroad Company——

Judge Meaney: Isn't that in?

Mr. Mulcahy: It may be in; I am not certain.

Judge McLaughlin: I think whatever exhibits you offer [fol. 312] should be marked as exhibits consecutively, starting with 1, if you haven't any others in.

(Colloquy between Court and the clerk as to physical marking of exhibits.)

Mr. Mulcahy: The second one——

Judge Meaney: The first is what?

Mr. Mulcahy: The first is the order of July 13, 1942, reopening the petition of the Hudson & Manhattan Railroad Company.

Judge Meaney: Isn't that already in?

Mr. Mulcahy: I haven't heard it called, your Honor.

Mr. Finerty: No, it is not.

Judge Meaney: All right.

Mr. Mulcahy: The second one was referred to by Mr. Booth as the order of November 13, 1942, granting the OPA the right to intervene.

Judge Meaney: Wait a minute. The second was what?

Mr. Mulcahy: The order of November 13, 1942, granting the OPA the right to intervene.

The third, your Honors, is the oral argument before the Interstate Commerce Commission by the various litigants on April 20, 1943.

These documents will be forwarded shortly.

Judge McLaughlin: All right.

[fol. 313] (Documents above referred to to be received in evidence and marked as Exhibits D-1, D-2, and D-3, for the Interstate Commerce Commission.)

Judge Meaney: Does that complete all of the offers, gentlemen?

Mr. Finerty: So far as we are concerned, yes.

Judge Meaney: Mr. Finerty, so far as the Hudson & Manhattan and the I. C. C. are concerned, how many arguments will there be? There will be yourself,——

Mr. Mulcahy: Mr. Reidy, your Honor, is willing to submit his case on his brief, plus any arguments that might be advanced by Mr. Finerty.

Judge Meaney: All right. Then there will be just one for the defendant.

Mr. Mulcahy: I understand so.

Judge Meaney: And for the City of Jersey City and the intervenors just two.

Mr. Hershenstein: Just two.

Mr. Booth: I assume we might have a half hour on opening and then also some little time for reply.

Judge McLaughlin: A half hour between you?

Mr. Booth: Well, I don't know; I thought for myself I might need about half an hour, considering the arguments that were made before; but whatever the Court determines——

[fol. 314] Judge McLaughlin: Well, we will see. How much do you want in reply, do you suppose?

Mr. Booth: Well, I don't know how much time Mr. Finerty plans to take.

Judge McLaughlin: Well, we will see about that.

Mr. Finerty, how much time do you think you can cover the thing in?

Mr. Finerty: Well, it is a little difficult to hazard a guess.

Judge McLaughlin: I think it is, too.

Mr. Finerty: I don't know how much my opponents will say, but I should say an hour.

Judge McLaughlin: Well, suppose we allow Mr. Finerty up to an hour and we allow you, Mr. Hershenstein and Mr. Booth,—apparently you can complete your opening in a half hour apiece; is that right?

Mr. Hershenstein: Yes, sir.

Judge McLaughlin: And then we will give you a little time to reply. Is that satisfactory?

Mr. Hershenstein: That is satisfactory, sir.

Judge McLaughlin: Suppose we take a recess for two or three minutes.

Mr. Hershenstein: If your Honors please, just before the recess, just to complete our offers, there is one brief I would [fol. 315] like to offer in evidence; it is a brief of the protestants on further hearing, commencing September 28, 1943. That will be Exhibit P-9.

The Clerk: Marked as Exhibit P-9 in evidence.

Mr. Hershenstein: Mr. Finerty offered his brief, so I think, to complete the record, it will be necessary to offer our brief.

Judge McLaughlin: We will take a recess for two or three minutes.

(Following a short recess at this point the hearing was resumed as follows:)

Judge McLaughlin: Go ahead.

Mr. Hershenstein: If your Honors please, the report and order dated August 3, 1943, in effect proceeded from the ex parte affidavit of the Railroad, which requested a modification of its former order.

In the complaint which Jersey City filed on September 13, 1943, we alleged and charged that we were deprived of our full day in court by not having been given the opportunity of cross examining witnesses, refuting testimony which had been offered by the Railroad Company, and also we were prevented from offering testimony in counter evidence to the testimony which was produced.

The Interstate Commerce Commission then on September [fol. 316] 18, 1943, and prior to the argument upon our first bill for an interlocutory injunction, opened the proceedings, and they did so, to use their own expression, out of an abundance of caution, to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modifications made by the Commission in its report on August 3, 1943, and to afford any party hereto the right to cross examine adverse witnesses.

Further hearings were then had before the Interstate Commerce Commission and they began, as I recall, on September 28, 1943. They were held pursuant to this order of September 18, 1943, and that order, however, circumscribed the proceedings before the Interstate Commerce Commission in the following language: "for further hearing to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modifications made by the Commission in its report on August 3, 1943, on further

consideration of its prior findings and orders of July 11, 1938 and June 8, 1943; that at such further hearing any party hereto shall have the right to cross examine adverse witnesses, and, upon the conclusion of such hearing, any party so desiring may make oral argument before the examiner, but no further briefs shall be submitted nor shall a proposed report be issued, nor shall there be further argu-- [fol. 317] ment before the Commission."

When the proceedings opened, if your Honors please, the examiner interpreted this order of the Interstate Commerce Commission and said that the exact nature of this order is as follows, and I am now reading from the colloquy of the Commissioner in the record.

"Examiner Koch."

It is on pages 2034-2036 of the transcript.

"Examiner Koch. So that there may be no misunderstanding as to the scope of this further hearing, I wish to make the following statement:

"The order of the Commission of September 18, 1943, which reopened this proceeding provides, and I am now quoting: 'That this proceeding be reopened for further hearing to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modifications made by the Commission in its report of August 3, 1943, on further consideration of its prior findings and orders of July 11, 1938 and June 8, 1943.' "

He further stated:

"Those modifications were from a finding that a nine cent downtown fare had been justified, as made in the report of June 8th, to a finding as made on August 3, that an alter- [fol. 318] native downtown fare of eleven tokens for $1 or a cash fare of a dime had been justified with the proviso that contemporaneously the same alternative basis shall be maintained on the uptown line.

"In every other respect the prior findings of June 8th were affirmed."

"Therefore," said Examiner Koch, "this further hearing under the Commission's order is restricted to evidence bearing upon the issue of whether or not these modifications in the prior finding, which had approved the downtown fare of 9 cents, shall stand.

"We are not here retrying the lawfulness of the present 9 cent fare."

Now, during the course of the hearings, if your Honors please, all of those who were opposed to the orders of the Interstate Commerce Commission sought repeatedly to establish that the present revenues of the Railroad were sufficient in and of themselves to care for all of the current monetary requirements of the railroad, including the full interest on their bonded indebtedness. The sum total effect thereof was to establish by evidence that from a revenue standpoint, and I shall speak of that in a few minutes, the present local downtown fare of 8 cents was sufficient per se.

We sought in addition to establish that the operating statements which the Railroad Company submitted were [fol. 319] inflated in many substantial respects, particularly so far as they related to a reserve they set up for war contingency. For example, they set up $240,000 a year for a war contingency. We were prepared to show, if your Honors please, that after they set up that reserve, the Government issued its war insurance, which would be a trifling sum per year—several thousand dollars as I recall. We were prepared to show that that $240,000 reserve was entirely exorbitant and to deduct that sum from their annual income manifestly would be an improper result, and the result would therefore be the sum which they would be required to earn by income and by revenue. But the examiner refused to entertain any such evidence.

We further endeavored to establish that the 9-cent fare authorized by the Commission's order of June 8, 1943, was productive of revenues over and above those to which the carrier was legally entitled or actually required, and that therefore ipso facto the proposed alternative plan which the Railroad Company sought to establish and which the Interstate Commerce Commission approved in its report on November 2nd, would have produced and would produce excessive revenues substantially over and above those which are required by the Railroad Company.

[fol. 320] We further sought to establish in the proceedings before the Commission on the reopening of the proceedings, that the Railroad Company was derelict in its obligations to conserve its sources of revenue by failing to carry out what is in fact, if your Honors, please, a man-

date, considered a mandate by the Commission because it refers to it in its prior orders, and considered a mandate by the Supreme Court, because the Railroad Company before the Supreme Court and before this Court argued that the directive order or the directive statement of the Commission that if they need more revenue they should procure it from a more favorable division of their joint fare arrangement with the Pennsylvania Railroad Company, was never even attempted to be lived up to by the Railroad Company, up to the very moment we are now arguing this case; and I say the Railroad Company before the United States Supreme Court said that the Interstate Commerce Commission had no right to make such an order or such a finding or such a conclusion, and the Supreme Court in their opinion justified all of the findings of the Interstate Commerce Commission, including that particular finding.

So that we said to the examiner, "We have a right to show, if your Honor please, that the Railroad Company did not seek any further revenues under the direction of [fol. 321] the Interstate Commerce Commission."

The examiner refused to entertain any such testimony.

We sought to show further in that connection, with the joint traffic, the increased fares effective February 10, 1942, resulting from the Interstate Commerce Commission authorization to increase fares, which I have referred to in my argument on the interlocutory injunction as ex parte 148—that it produced additional joint line revenue, that increase did, of not less than $400,000 a year annually, from which the Hudson & Manhattan Railroad, through its negligence, we charge, and dereliction, failed to obtain one penny from the Pennsylvania Railroad Company.

Now, the position of the Railroad Company in this proceeding, is that the current downtown local fare of 8 cents would produce sufficient revenue to meet obligations only if the 1943 patronage reflected an increase over and above the 1941 patronage to the extent of 30 per cent. With respect to that, the report of June 8, 1943, of the Interstate Commerce Commission, made this finding:

"Under present fares (referring to the current 8-cent downtown fare and the present 10-cent uptown fare)," the Interstate Commerce Commission held that "it would be [fol. 322] necessary for its annual traffic to increase by about 30 per cent over that of 1941 in order to meet the current interest requirements of its bonded indebtedness."

We, therefore, in the reopened proceedings before the Interstate Commerce Commission, sought to establish, if your Honors please, that very fact. We sought to establish that the patronage of the Hudson & Manhattan for the first six months of 1943 reflects an increase of 30 per cent over 1941, in their traffic; and that, accordingly, there was no revenue need for the prescription of any fare over and above the current local fare of 8 cents.

We sought to have the record brought down to date relative to the current income and the expenses of the Railroad Company, both as to its railroad operations and as to its overall operations, for the period ending August 31, 1943, or the latest available data, but the examiner refused, and the Interstate Commerce Commission, by affirming his order, refused to entertain that evidence.

We made an attempt to adduce facts in support of all of these matters which have been mentioned to your Honors, a statement of which would be repetitious. On each occasion, when we endeavored to introduce that evi- [fol. 323] dence, or cross examine the witnesses in order to produce the testimony we had referred to, the examiner justified his exclusion wholly and solely upon the limitations prescribed in the order, the excerpt of which I have read to your Honors a few minutes ago.

Now, the issues in this case, if your Honors please, to our mind appear to be two-fold. As I have indicated, the proceedings before the Interstate Commerce Commission were in fact a revenue proceeding; and so the first question which logically can be propounded is, does the Railroad need more revenue? That, to my mind, was the first and fundamental issue in the reopened proceeding.

Secondly, if they need more revenue, the Act itself, Section 15a of the Interstate Commerce Act, provides that the Interstate Commerce Commission may afford that relief only upon a prior finding that the Railroad was honestly, economically, and efficiently managed to provide railroad transportation; and so that became the second question which these proceedings involve.

Now, these being the issues,—I didn't take notice of the time, if your Honor please.

Judge McLaughlin: You have about fifteen minutes more.

Mr. Hershenstein: I think I shall finish.

[fol. 324] These being the issues involved, we say to your Honors, that the Commission was obligated under the law, as a matter of law, to receive any and all evidence relating to those issues. Their failure to do so is the foundation of our present bill of complaint.

Now, let me, if your Honors please, indicate to you what we conceive to be clearly the established law governing the facts in this case.

In authorizing increased rates the Commission was required to observe the statutory requirements. I have already adverted to the fact that there are three provisions under which the Railroad Company could have sought increased fares. Under Section 1 they can seek to establish an increased fare, but that fare must be reasonable. If it is unreasonable, it is illegal. This Court, the Supreme Court of the United States, and the Interstate Commerce Commission have already held that a 10-cent fare on the downtown line is unreasonable, and therefore it is illegal. It has been held over and over again that every passenger is entitled to a reasonable fare, and it is the Commission's duty to fix fares which are reasonable, whether or not the resulting revenue in the aggregate is higher or lower than that they previously derived therefrom. And those cases lead me to say to your Honors that if it be a fact that they [fol. 325] are reducing the uptown fare from 10 cents to 11 tokens for a dollar, it does not cure the unreasonableness of the downtown fare, and therefore it is illegal, because every passenger is entitled to a reasonable fare, and that passengers who use the downtown line cannot be charged an illegal fare simply because they reduce the uptown fare by a small percentage.

Now, Section 3 of the Act, which is another provision under which carriers may proceed to increase their tariffs, provides for the establishment of a tariff which, however, the Act says, under Section 3, cannot be discriminatory or prejudicial, or create any undue preference.

We say, if your Honors please, that they can't establish a 10-cent fare on their downtown line because the Interstate Commerce Commission has already held that if the uptown line charges 10 cents per passenger, the downtown line fare must be less than ten cents, and hence the establishment of a 10-cent fare is discriminatory as to those passengers who would be compelled to pay a 10-cent fare.

And so they are relegated, if your Honors please, to the revenue provision which I indicated. Under that provision, even though a fare may be unreasonable, or discriminatory, the Commission is vested with the power to in-
[fol. 326] crease the fares provided those two elements are present, namely: Do they require increased revenue? Secondly, are they efficiently and honestly and economically regulated, controlled, and operated?

And where we attempt to show that they were not and they need no revenue, the Commission necessarily must accept that evidence and proof and not pre-judge our case by saying, as they did, in the order, which is clear proof they denied us that right, that "Even if you had put it in, we would probably have not changed our minds."

I think the Commission has no right to pre-judge what they think they would say, without having the evidence before they say it.

Now, in the order of August 3, 1943, which has its counterpart in this later order of November 2, 1943, this order, that last order, was based entirely, if your Honors please, upon a disability of the carrier. All the Railroad did was to say, "Well, you permitted us to increase our fares to 9 cents, but we are physically unable to do it because of our coin collection boxes and the mechanism which operates them."

If your Honors please, the courts have held that the physical disability of a carrier is no excuse to establish a higher or illegal rate. Simply because they can't put into
[fol. 327] operation a 9-cent fare because of their coin collection system, that doesn't justify the Commission in permitting them to increase their fares to an illegal rate. The brief which we will submit to your Honors amply justifies that position by the citations which we have therein set out.

If it be a fact, as they have suggested, that "We will simultaneously reduce the uptown fare so that you can buy 11 tokens for a dollar," our answer is, unequivocally, that that doesn't cure the situation; first, because the uptown traffic is about 25 per cent or less of the downtown traffic, and certainly that doesn't balance or equalize hte fares; and secondly, merely to reduce the uptown traffic doesn't justify an exorbitant fare on the downtown line. But the Interstate Commerce Commission, in all of its findings, in all of the reports which we have offered in evidence, found

that a 10-cent fare is unreasonable. They have never said one word, nor has there been any evidence produced by the Railroad Company up to this very minute, which would justify a change in that ruling. As a matter of fact, even in its last report, of November 2, 1943, they again say that "Our former determination that 10 cents is an illegal fare is still our ruling and still our judgment." Yet, in spite of [fol. 328] that they made a modification which we have referred to.

Now, there is one matter which I desire to call to your Honors' attention for a moment, in these proceedings. The order of November 2nd was made as a result of this so-called disability. We are also asking an injunction against the order of June 8, 1943, which gave them the increase to 9 cents. We did not refer to that order in our original bill because when our original bill was filed here, the Commission hadn't reopened the proceedings. It wasn't until the reopened proceedings, when we attempted to show that under their June 8th order, 1943, which permitted them to increase their fares to 9 cents, when we endeavored to introduce testimony that they had met their requirements under the Commission's own ruling, that they for the first time refused to admit that evidence.

Therefore, if your Honors please, those things came in after we had filed the original bill; and when we filed our second bill, the Interstate Commerce Commission by that time had refused to hear any evidence which would tend to show that the 9-cent fare was unnecessary, because they had already received all the necessary revenue which the Railroad Company under its own order required for the pur- [fol. 329] pose of economically operating its railroad.

And so, if your Honors please, both orders of June 8, 1943 and November 2, 1943, now before your Honors, should be enjoined.

Now, we have been deprived, manifestly, of a full hearing before the Interstate Commerce Commission. It has been held by the United States Supreme Court that the Interstate Commerce Commission bing a quasi-judicial body, the Interstate Commerce Commission is required to accord all litigants before it a full and fair hearing. It has been so held in Interstate Commerce Commission vs. Louisville & Nashville Railroad Company. With that fundamental rule of law, if your Honors please, what the Commission in this case did to the protestants before them, to

Jersey City in particular, and to the Director of Economic Stabilization and the Office of Price Administration, to my mind, if your Honors please, is the clearest evidence of a denial of the right of a full, fair, and impartial hearing, which the United States Supreme Court often said was a prerequisite to a determination by the Interstate Commerce Commission of any matters before it.

There is one matter which Mr. Finerty has already adverted to in the proceedings and in his offer of proof, and that is that we haven't exhausted our administrative reme- [fol. 330] dies. The record before you now indicates that the Director of Economic Stabilization, through Mr. Booth, filed a petition to reopen the order of June 8, 1943, at the time when he made an application that all of the proof which we have offered should be admitted before the Commission, and manifestly, if your Honors please, it would be a duplication of work for Jersey City to print and file a similar motion. Instead of that we wrote a letter to the Commission, offered in evidence as an exhibit by Mr. Finerty, in which we said, "We have read the petition; we join in it; we affirm it; and consider it part of our application before the Commission."

The Commission didn't reject our communication and say, "That isn't the proper practice."

It has been held, if your Honors please, it is a familiar legal principle, that the necessity of a formal demand is often waived or obviated by the conduct of the other party, or where the state of the case is such as to show that the matter would have been entirely unavailing. Manifestly, this petition having gone in in which we have joined by letter and made a part of our request, a denial of the petition of the OPA is in fact a denial of an application by us to reopen the proceedings of June 8, 1943.

[fol. 331] We respectfully submit, if your Honors please, that we have established before your Honors all the facts entitling the plaintiff and the intervenor to a permanent injunction.

Judge McLaughlin: All right, Mr. Booth.

Mr. Booth: If the Court please, we have prepared a brief, which unfortunately, because of the limitations of time, we have not been able to have printed or mimeographed. I will hand it to the Court now, if that's agreeable. (Handing to the Court.)

Mr. Hershenstein: I will hand up, if your Honors please, my brief. (Handing to the Court.)

Mr. Booth: I have not yet seen the brief, if one is to be filed, by the Hudson & Manhattan Railroad. I did receive, a few minutes ago, a copy of a brief which I understand the Interstate Commerce Commission is planning to file with this Court. It may be that we may desire to reserve the right to file, within a very short time, a very short reply brief.

This case, as we see it, involves some very vital and important questions, involving primarily the question as to whether the Interstate Commerce Commission, in the determination of rates under its own Act, is free to establish and to increase the rates over and above the rates in effect on September 15, 1942, under substantially peacetime prin- [fol. 332] ciples, though I believe that counsel for Jersey City has shown that even under the provisions of the Commission's own act, the order is invalid. But if the Commission during the war is under an obligation to give any effect whatsoever to the wartime conditions and the stabilization legislation enacted by Congress to keep down the cost of living, particularly under the Act of October 2, 1942, then we say that this order is invalid and must be set aside by this Court because of the fact that the Commission has failed to apply legal standards, proper legal standards, governing the determination of rates under wartime conditions.

And, of course, it is a well-settled principle that this Court and the courts may properly set aside orders of the Interstate Commerce Commission, or of any administrative body, where they are called upon to review orders, if they fail to apply proper legal standards.

I am going to devote most of the time I have, I have asked only for what I consider to be a limited time for the presentation of the oral argument, partly because of the fact that some of this was gone over in connection with the request for the interlocutory injunction, partly also because counsel [fol. 333] for the Interstate Commerce Commission is not here today and will rest upon his brief—we contend, therefore, that this order, the orders of the Commission of June 8, 1943 and November 2, 1943, are invalid because they did not give effect to wartime conditions and the stabilization legislation, as the Commission was under a legal obligation to do; that the Commission also failed to give to the Director the fair hearing that he was entitled to under the Commis-

sion's own statute, as well as under the Act of October 2nd, and the Constitution, and that moreover there was no evidence to support the principal findings of fact to the extent they were made in this case.

Congress, to be true, did not, and we are not suggesting in this case, as is contended by the Commission, and apparently is also the position of the Railroad—we are not suggesting that Congress gave us by the stabilization legislation the power to regulate the rates of railroads or of public utilities. Obviously, we are not suggesting that position. Congress did, however, provide, in the Act of October 2nd, and this was a compromise provision, in substitute of an original provision approved by the Senate of the United States and proposed by Senator Norris, under which no increase could be made in utility or common carrier rates [fol. 334] without the approval of the President. That was the Act of October 2nd as passed by the Senate. Then it went before the House and the House refused to accept the Norris provision. It said, the Act went to conferees and they agreed upon this provision: "Provided, That no common carrier or other public utility shall make any general increase in its rates or charges which were in effect on September 15, 1942, unless it first gives thirty days notice to the President, or such agency as he may designate, and consents to the timely intervention by such agency before the Federal, State or Municipal authority having jurisdiction to consider such increase."

We suggest to this Court that Congress, in leaving to the regulatory agencies, State and Federal, the authority that they already have, over the establishment of utility and common carrier rates, and by providing and prohibiting any utility from increasing its rates over and above the rates in effect on September 15, 1942, without notice and consenting by such utility to the President or his agent, did not intend thereby that the participation by the President or his agent in the hearings before the regulatory agencies should be of a nominal character, and that the rates should be increased over and above the rates in effect on September 15, [fol. 335] 1942, unless full and complete effect was given by the existing regulatory agencies to the wartime conditions, the stabilization legislation, and the great and vital need for preventing increases in the cost of living.

Now, the question as to the full meaning of the Act of October 2nd is in a sense a new one. It has come up into the courts, the higher courts, we will say, on two occasions. The question is now before the Supreme Court of the United States in connection with the granting of a petition to review a decision of the Court of Appeals of the District of Columbia, which sustained an order of the District of Columbia Commission authorizing an increase in gas rates in the amount of one and one-half per cent over and above—over the objections of the Director and the Price Administrator in that case. The case went to the District Court; the District Court set aside the Commission's order on our appeal; the Court of Appeals, by a two to one vote, sustained the Commission and reversed the District Court, and the Supreme Court of the United States has agreed to review that case. I have no doubt but that you will hear a great deal about that opinion from counsel for the Railroad. I want merely to suggest this to the Court, and I haven't mentioned it in the brief because the case is before the Supreme Court [fol. 336] of the United States——

Judge McLaughlin: Has it been argued, Mr. Booth?

Mr. Booth: No; it will be argued about the 1st of February, I believe. But the court there found that the determination of rates in the District of Columbia had been predicated upon a sliding scale arrangement, which apparently the court construed, we say, improperly, that we were trying to upset. But it did specifically find that the —well, I want to read this to the Court, because the court found it was not necessary, in authorizing an increase, to apply literally the standards of the Act of October 2nd, namely: to deny any increase unless necessary to aid in the prosecution of the war, or to correct gross inequities. But the court went on to say:

"The record in this case shows that the intervention of the Price Administrator was not without influence or effect. The Commission was not oblivious to the economic conditions consequent upon the war and did not disregard them in formulating its findings and opinion. It pointed out that its responsibilities were twofold, that is, to determine what increase, if any, the company was entitled to under the sliding scale for the ensuing year and also to give recognition to the existing economic situation and the ability of the com- [fol 337] pany to finance needed plant extension and render adequate service to consumers at the Nation's Capital. The

intervention and assistance of counsel for the Price Administrator were noted, and the findings, supported by substantial evidence, were made to the following purport and effect:"

Then it went on to say, in connection with the question as to whether a proper hearing had been granted the Price Administrator, that the Price Administrator made no definite offer of proof in connection with matters upon which he wanted the case reopened.

Of course, we think that the decision is not the law, but we say it doesn't apply to this case because, as the court found there, the Commission had given effect, it said, to the stabilization legislation, the court said the rates were being fixed under a sliding scale arrangement, which it said we were trying to upset, and the case is being reviewed by the Supreme Court of the United States, which indicates some considerable doubt, in my mind, as to whether the opinion will stand up before that court.

Now, there is another case, the Washington, Marlboro case, 132 Fed. (2d) 729, which I mentioned in our original brief, which involved the question as to whether or not a company that had filed a tariff for increased rates before [fol. 338] the Act of October 2nd went into effect, with the Interstate Commerce Commission, was under an obligation to give the Price Administrator, who has been acting for the Economic Stabilization Director, who was originally designated as the representative of the President in these cases, to give notice to the President and his agent under the Act of October 2nd, and the court found that it did. It said—I am reading from 132 Fed. (2d), Henderson v. Washington, Marlboro & Annapolis Motor Lines, 132 Fed. (2d) 729, at 732:

"But, apart from all statutes existing prior to October 2, 1942, and all orders, rules and regulations made pursuant to those statutes, the Act of October 2, 1942, is conclusive of the issue presented for our decision. As it was enacted subsequent to the Interstate Commerce Act it supersedes that Act, to whatever extent may be necessary to achieve its own purpose."

That was the unanimous opinion of the Court of Appeals. A petition was filed with the Supreme Court, asking that that decision be reviewed. That was denied by the Supreme Court of the United States during the last term. But we think that it is clear under the record here that no effect,

contrary to the clear intent of Congress, contrary to the obligation of the Commission in fixing just and reasonable [fol. 339] rates under its own statute, to give consideration to existing conditions, to deny any increases unless they are absolutely necessary, that the Commission gave no effect whatsoever to the stabilization legislation.

The Commission in its order, in its June 8th order, stated:

"It seems to us that an increase of one cent in respondent's downtown fare is unlikely to have any inflationary effect, and that the effect thereof upon the cost of living, while a factor to be given consideration, will be so slight, a maximum of about 12 cents a week and 52 cents per passenger, as to be negligible."

Now, that's when the Commission increased the cost of transportation only 13 per cent over and above the daily cost of transportation on September 15, 1942, notwithstanding the fact that the cost of transportation on the downtown lines had already gone up 33⅓ per cent over and above the rates in effect in 1938; and subsequently, as we have shown, they increased the cost of transportation 25 per cent, to a very, very substantial number of the users on the downtown line, and a total of 13 per cent to everybody.

Now, the true legal principle, the true principle of law, which the Commission, we suggest to this Court, was under [fol. 340] an obligation to apply, and which it failed completely to apply, was the principle applied by the Emergency Court of Appeals, when it was considering the effect of small increases. I have called those decisions to the Court's attention before. They are the Lincoln Savings Bank cases, 137 Fed. (2d) 228; they are referred to in my brief; and the Gypsum Company case at 137 Fed. (2d) 360.

In the latter case the Court said: "The mere fact that the increase is small and therefore will not bear too hardly upon either party to a sale is of no consequence. It is the cumulative effect of millions of small increases in prices and other costs throughout the economy which starts the inflationary spiral."

And I think that it is clear, when you read what the Commission said, in connection with the consideration that it must give to the Act of October 2nd, that apparently it was under the impression that small increases, and this is not a small increase, have no bearing at all upon the Government's effort to keep down the cost of living. Why, if the

principle that was applied by this Commission in this case were true, the New Jersey Board of Public Utility Commissioners could increase gas rates 10 to 25 per cent, saying, "Well, those individual increases are not going to have any [fol. 341] bearing upon the cost of living"; they could increase telephone rates, saying, "Each of these things individually hasn't any consequence upon the cost of living." The New York Commission could do likewise; and we would have a very, very serious situation.

Now, in addition to that, we say that it was illegal for this Commission to authorize an increase in rates over and above the rates in effect on September 15, 1942, without giving full and complete effect to the improvement in the company's business as a result of the war, and as a result of the restrictions imposed by the Government and the war agencies upon competitive forms of transportation—in connection with transportation companies, particularly transportation companies doing a local transportation, and we suggest to this Court that the Commission must make an affirmative showing; that if a carrier needs additional revenue through higher rates, the additional revenues will not be secured through the growth of the company's business as a result of the war, and the effect of the restrictions which the Office of Price Administration and other agencies, war agencies, have imposed upon competitive forms of transportation.

That was not considered in this case. As a matter of fact, a timely offer of the Director to present evidence upon [fol. 342] that vital issue, as we have shown to this Court, was denied. They would not even allow us to mark as an exhibit for identification—an effort on our part, a timely effort—evidence which would show that this Commission did not have to authorize an increase here, the company could obtain the additional revenues; that it was in fact making much more money prior to the war, and it was making more money under the 8-cent fare, in fact, than the Commission thought they would obtain under a 9-cent fare on the downtown line. And we were deprived of our fundamental rights. Why, it is the only thing—not the only thing, but it is the fundamental character of the showing which we, as presenting the effect of the war upon the right of utilities and carriers to increase rates, would be naturally concerned about.

Now, it has been suggested here that because we perhaps didn't offer that evidence before, we have been estopped, from bringing this suit. We made it clear to the Commission on every occasion that we appeared before the Commission, in connection with our exceptions to the examiner's report, the briefs that were filed—every time we appeared before the Commission we tried to get the Commission to consider that evidence, and the Commission in [fol. 343] its November 2nd order was itself under a very gross misapprehension as to what it had in the record. It thought it had in the record, and it stated so, we have pointed it out in our brief at pages 25 to 27—the Commission thought it had in the record the full evidence as to the year 1942. It did not have that evidence in the record. And the only thing that was brought in—it said that data was brought in at the time of the oral argument before the Commission—the only thing that was brought in at the time of the oral argument was a one page stipulation containing traffic figures for February and January, 1943.

Moreover, the Commission failed to apply proper standards of law governing the determination of utility rates under wartime, because where the utility rates were already at the highest level commensurate with the value of the service, and it now becomes possible to exact higher rates merely because of wartime scarcity, we say it is illegal and improper for a regulatory agency to authorize an increase in rates during wartime under those conditions; and this Commission had already found that the downtown fares were already at the highest level commensurate with the value of the service, that they couldn't get during [fol. 344] peacetime higher revenues with higher rates than 8 cents; and now, because of the wartime restrictions, they had reversed the process. And the railroad says that because of the peculiar wartime conditions, "We are going to take advantage of that, to obtain not only higher revenues than we were getting before the war, but far greater revenues because of the peculiar position that the riders find themselves in."

Where the utility's net income available to investors is now as great as it was in pre-war years, and where the utility's net income has actually been augmented by reason of wartime conditions—those, we say, as well as the principles that I have suggested to this Court for its consideration, are the type of principles which we suggest this

Court should lay down in considering this case, to be applied by a regulatory agency.

Moreover, in this case, there is another very fundamental fact. As this Court knows, the company had been directed back in 1938 to try to get additional revenues from the Pennsylvania Railroad. We tried on the September 28th hearing to develop evidence to contrast the efforts which the Railroad had gone — to get higher revenues from its riders and the efforts that the company had gone to to get higher revenues from the Pennsylvania Railroad, in ac- [fol. 345] cordance with the directions of the Commission; and we were prevented from developing that data. But in so far as the record before this Court shows, the only thing that was done by this Railroad was apparently in the five years the president paid a visit to the Pennsylvania Railroad. We tried to find out whether they had written any letters or any documents, whether they had filed any petitions, availed themselves in any way of their legal rights and their legal powers, and to aid the stabilization program by trying to get revenues from some other source, to cooperate with the stabilization program by trying to help us in the discharge of those very grave and serious duties, the most difficult duties that ever have been imposed upon any agency dealing with economic and financial problems, to see whether the Railroad had cooperated with us in any way. No, they spent and devoted their entire energy to try to increase their rates over and above the rates in effect on September 15, 1942, instead of attempting to eliminate the need for an increase by following the directions of the Commission itself, by trying to get, as it was legally and practically and economically entitled to, a better deal from the Pennsylvania Railroad on its divisions.

Now, we have outlined again in this brief that we are [fol. 346] entitled to a fair hearing, and that the Commission didn't give it to us; and we again call to this Court's attention the decision of the United States Supreme Court in the Indiana & Michigan Electrical Company case, which we have cited at pages 16 and 17, and that is, as the court said, in setting aside a decision of the War Labor Board, sustaining a decision of the Court of Appeals,—the court said that where a statute places a great degree of finality upon the findings of an administrative agency, the court has been insistent that where they make a limited review, the administrative agency do- not shut off a party's right

to produce evidence or conduct cross-examination material to the issue. And we think that decision applies to this case. We suggest that the Commission in its brief should have pointed out just how the Commission would have been injured if, when we assembled before the hearing, at the hearing,—how they would have been injured if we had been given the opportunity to present the evidence that we had ready, or to conduct the cross-examination of the company's witnesses that were there. We have again outlined the evidence that was improperly excluded, pointed out that the evidence that was excluded, both as to cross-examination and as to direct, was material evidence, bearing [fol. 347] upon the right of the Railroad to an increase; and we have suggested that we have exhausted our administrative remedy. We have repeatedly asked the Commission to reconsider its orders, and the Commission itself, in its June 8th order, stated, and we had the right to rely upon that, that if at any time prior to the expiration of the war, they said, by reason of changed conditions or otherwise, the revenue results to respondent should prove to have been materially different from those estimated, we could ask for further hearing. Well, we asked for it. And besides, the Supreme Court of the United States has held, in the case of Baltimore & Ohio, that Congress has not required that a petition for rehearing be filed before suits to enjoin orders of the Interstate Commerce Commission be instituted. But I wonder, in view of the reiteration, the constant reiteration, by the Commisison of the fact that it is insisting upon these increases, what additional purpose could have been served by going back to the Commission. For, moreover, as the Court well knows, the Commission in its final order allowed the company to file the new tariffs at once, and they were to go into effect in a period of fifteen days. Why, if we had gone again to the Commission, we would have lost our ability to prevent the increase, and lost our legal remedies.

[fol. 348] In the remainder of our brief we have outlined a great many errors, other errors, of law in the opinions of the Commission. We have suggested to the Court that we have not been estopped from bringing this action, and we suggest to the Court in our conclusions, findings which we ask the Court to consider as appropriate in this case, if it determines that this Commission, as a matter of law, was required to give the Director and the City of Jersey

City a fair and full hearing, and if it was also required to give effect to the wartime conditions, stabilization legislation, before it finally permitted the company to increase its fares over and above the fares in effect on September 15, 1942.

I appreciate your Honors' attention.

Judge McLaughlin: We will adjourn to 1:35 sharp, by this clock.

(Noon recess.)

[fol. 349] Afternoon Session

Judge McLaughlin: All right, Mr. Finerty, if you are ready.

Mr. Finerty: If it please the Court, we have a brief we would be glad to submit at this time, either with the understanding that all briefs are submitted now, or at the most that any replies be received by all parties by Friday, and the Court.

Judge McLaughlin: Well, first, all main briefs except yours have been handed the Court.

Mr. Finerty: Ours was just received here a short time ago.

Judge McLaughlin: That's fine. Well, if you wish, suppose you hand up your main brief and then we will work out about replies, if any.

(Copies of brief handed to the Court.)

Judge McLaughlin: Now, about replies,—can you hear me, Mr. Hershenstein? We are trying to get the brief situation crystallized. All briefs are in now. You have a copy of the Railroad's and of the Commission's?

Mr. Hershenstein: Yes, sir.

Judge McLaughlin: The Interstate Commerce Commission's — With reference to reply, do you wish to reply?

Mr. Hershenstein: Yes, sir.

[fol. 350] Judge McLaughlin: To both those briefs, I take it.

Mr. Hershenstein: It will be a short reply, but I deem it necessary to reply, if your Honor please.

Judge McLaughlin: Well, today is Tuesday.

Mr. Hershenstein: Yes, sir.

Judge McLaughlin: Mr. Booth, you want to reply to both, too?

Mr. Booth: We want to review them, to determine how much of a reply we will need.

Judge McLaughlin: Very well.

Mr. Booth: We need a few days.

Judge McLaughlin: Well, I think, especially with you having to go down to Washington, that probably—today is Tuesday—probably Friday is a little bit soon. I think if we gave until Monday, it ought to be agreeable.

Mr. Hershenstein: That is satisfactory.

Mr. Booth: Yes, sir. I think the Interstate Commerce Commission, Mr. Reidy not being well, will probably not see our briefs until tomorrow or the next day.

Mr. Hershenstein: Shall we deliver them to the Court or mail them to your Honors separately?

Judge McLaughlin: Mail them to the Judges.

Mr. Hershenstein: Thank you, sir.

[fol. 351] Judge McLaughlin: The Judges; that is, the individual Judges.

Mr. Hershenstein: The individual Judges, yes, sir.

Mr. Booth: Will it be all right then, if it is agreeable that—Saturday; that means we would have to mail them on Friday, in Washington. Will it be all right if we mail them on Saturday?

Judge Fake: Oh, yes.

Judge Meaney: They would get here Monday, then.

Mr. Booth: So that if we mailed them on Saturday, they would get here on Monday.

Judge McLaughlin: All right.

Mr. Booth: Will that be satisfactory?

Judge McLaughlin: All right.

Mr. Booth: Thank you.

Judge McLaughlin: Go ahead, Mr. Finerty.

Mr. Finerty: May it please the Court, the most noteworthy impression the arguments of my opponents made on my mind, and I hope the Court did not fail to remark it, was that I do not think I heard either Mr. Hershenstein or Mr. Booth charge by so much as a single statement that the orders of the Interstate Commerce Commission here sought to be enjoined were without any evidence to support them; and I call your particular attention to the fact that in the amended bill—neither in the amended bill nor in the [fol. 352] intervening petition, is there any real charge to that effect. There is a perfunctory charge in the amended bill that the orders sought to be enjoined were without evi-

dence to support them, but the context of the bill itself shows plainly what was shown by the arguments of Mr. Booth and Mr. Hershenstein, that what they are quarreling with is the deductions the Commission drew from the evidence before it.

I am leaving aside for the moment now this question of fair and full hearing, which I will reach. But I desire to impress upon this Court that this amended bill, neither it nor any argument of counsel, goes to the extent of specifying a single respect in which there was not evidence to support the Commission's findings and orders of June 8th and November 2, 1943, here sought to be enjoined.

Now, Mr. Justice Fake will, at any rate, have no doubt as to why I call that situation to the Court's attention, because Judge Fake wrote the opinion here referred to this morning in 33 Fed. Supp. 495, refusing an injunction to the Hudson & Manhattan Railroad Company against the Commission's findings and order of July 11, 1938; and he based that opinion squarely on the proposition that there was evidence to support those findings and order, and I am [fol. 353] frank to say that to that extent the Supreme Court certainly upheld Judge Fake's conclusion. But what I want to impress on this Court is that our opponents, Jersey City, do not realize what a victory they scored there; because they established and they established beyond peradventure of a doubt, that if there is any evidence whatever to sustain the order of the Interstate Commerce Commission, it doesn't make the slightest bit of difference how much other evidence there may be against the order, it doesn't make any difference whatever what evidence the Commission may have disregarded on which it could have reached a different conclusion, it doesn't make any difference whether the Court would say that the Commission's conclusion even on the evidence it considered was right or wrong; the Court is without power under the holding of the Supreme Court of the United States in numerous cases but epitomized by its holding in the Hudson & Manhattan case, is without power to set aside an order of the Interstate Commerce Commission if there is any evidence to support that order. And Mr. Hershenstein in particular—his whole argument this morning is practically disposed of by Mr. Hershenstein's own brief in the United States Supreme Court, which was an extremely able brief; and I want to read from a

[fol. 354] footnote on page 10 of Mr. Hershenstein's brief in the United States Supreme Court:

"To consider the weight of the evidence before the Commission, the soundness of the reasoning by which its conclusions were reached, or whether the findings are consistent with those made by it in other cases, is beyond our province. The finding of reasonableness, like that of undue prejudice, is a determination of fact by a tribunal informed by experience. This Court has no concern with the correctness of the Commission's reasoning, with the soundness of its conclusions, or with the alleged inconsistency with findings made in other proceedings before it."

That's a direct quotation in Mr. Hershenstein's brief from the decision of the Supreme Court of the United States in Virginia Railway Company v. United States, 272 U. S. 658; and other cases cited by Mr. Hershenstein in undoubted support of that principle.

In Judge Fake's opinion, Judge Fake cited at page 457 of that opinion what the Supreme Court had said in Interstate Commerce Commission v. Union Pacific Railroad Company, 222 U. S. at page 549. There the court said:

"In this case the Commission had before it many wit- [fol. 355] nesses and volumes of reports, statistics and estimates, including the rates on lumber charged by other roads, and those charged by these carriers on other classes of freight. * * *

"With that sort of evidence before them, rate experts of acknowledged ability and fairness, and each acting independently of the other, may not have reached identically the same conclusion. We do not know whether the results would have been approximately the same. For there is no possibility of solving the question as though it were a mathematical problem to which there could only be one correct answer. Still there was in this mass of facts that out of which experts could have named a rate. The law makes the Commission's finding on such facts conclusive."

Now, I don't know why I should be particularly concerned to argue, or to argue at length at any rate, to this Court that there is and was evidence before the Commission to sustain both its orders of June 8, 1943 and of November 2, 1943. Nothing has been said to the contrary here by my

opponents. And that, I point out to you, is their direct case and not a proper matter for rebuttal. Unless they have established to you on their direct case that there was no evidence before the Interstate Commerce Commission which could have supported those orders, then this Court is with-
[fol. 356] out jurisdiction to set aside those orders, or to enjoin them. Now, they made no attempt at any such showing. We have, however, in our brief, undertaken to refer the Court to the specific parts of the record before the Commission, the transcript and the exhibits, supporting each of the findings, the substantial findings, made by the Commission, and I will not take the time of the Court to review those. All I can say is that if this Court was justified, as the Supreme Court of the United States said it was, in holding that the Hudson & Manhattan Railroad Company could not enjoin the 8-cent-fare prescribed by the Interstate Commerce Commission in 1938, much more is this Court justified in holding that neither the City of Jersey City nor the intervenor can enjoin either the 9-cent fare authorized by the order of June 8, 1943 or the alternative fares of 11 tokens for a dollar or a cash fare of ten cents authorized by the order of November 2nd.

I assume that our opponents will, with better hindsight than foresight, come back now and in these reply briefs that they are going to submit to you by next Monday, will undoubtedly try to say to you that there is no evidence to support either of those orders. I undertake to predict, in fact I undertake to guarantee, that you will find they can
[fol. 357] make no such a showing truthfully, and that the farthest they can go is to say or to point out evidence perhaps in conflict with those orders, perhaps in conflict with the conclusions you yourself might have drawn from all the evidence; but that is not the question for this Court. The sole question for this Court and the sole ground upon which this Court can grant an injunction in this case, for lack of evidence, is that there is no evidence to support the Commission's order; and I say that the Court cannot make such a finding on this record.

Now, I therefore am going to pass what should be the main point of my opponents' case and go to the point they have chosen to make the main point of their case, for lack of a better one; and that is the repeated assertion, and I will say the repeated misrepresentation to you, that they

did not have a fair and full hearing before the Interstate Commerce Commission.

I think perhaps the best way of putting the situation before you is to do it chronologically. I think it was in June, 1942, the Hudson & Manhattan Railroad Company petitioned the Commission to reopen the proceedings so as to authorize a 10-cent maximum fare on its downtown line, representing to the Commission in its petition, and attaching to that petition, speaking of evidence, this bound volume [fol. 358] of evidence, that conditions had so changed since the order of the Commission of July 11, 1938, that it would now be appropriate for the Commission to reconsider its findings and order prescribing an 8-cent fare as a maximum fare, and authorize a 10-cent fare.

The City of Jersey City and the Hudson Bus Company and other bus companies objected to the reopening of the case, but the Commission reopened the case and set it for hearing, and it was heard in September, 1942.

Now, let me point out to you what occurred at that hearing. During the hearing the Office of Price Administrator sent a young man, Mr. Shapiro, to appear and intervene in the proceedings. This was during the hearing on the reopened order, and during the hearing underlying the Commission's order of June 8, 1943. He merely got up and said that the Office of Price Administrator was interested in the proceedings, indicated that their interest was in the question of inflation, but in answer to a specific inquiry by me stated they had no evidence to offer.

And let me say this: that from that day to this, the office of Price Administration, either in its own capacity or as a [fol. 359] representative of the Director of Economic Stabilization, has not offered one word of evidence on the question of inflation. On the contrary, the Office of Price Administrator has specifically admitted that they have no evidence to show that these increased fares and charges could be inflationary in themselves; and I call your attention to their statement to that effect on page 20 of the exceptions of the Price Administrator to the proposed report of Examiner Trezise in these proceedings. There the Price Administrator said:

"We did not nor do we now suggest that this proposed increase in fares will in and of itself result in inflation. Such a suggestion would, of course, be asinine."

Now, what is the Office of Price Administration talking here about the failure of the Commission to protect the public interest against inflation?

The Office of Price Administration, if it has any duty in this case, and I will refer to that later, had the duty of offering evidence that inflation would result from these fares, if that were possible. Of course, it was utterly incredible that any inflation could result. The maximum, had we gotten all the 10-cent fare, the maximum increase would have been $12.58 a year for a passenger traveling six [fol. 360] days out of every week of the year both ways.

Now, considering the price increases that the Office of Price Administration has permitted, of course, it would be asinine to say that $12.58 would cause inflation; because, mark you, an increase in passenger fares has a deflationary tendency in itself. It takes money out of the commodity market. And if the Office of Price Administration had paid as much attention to economics as it had to theories of inflationary spirals, it would have known that the primary tendency of an increase in passenger fares was deflationary.

Now, we went into this question at some length in some of these briefs here, and I don't intend to burden the Court with any argument on economics in that respect. All I can say is that the sole contribution the Office of Price Administrator has made to this case on the subject of inflation is some theoretical inflationary spiral mentioned in his exceptions to Examiner Trezise's report, but not one word of evidence ever offered on the subject of inflationary spiral or any other kind of inflation.

So it comes with very bad grace for the Office of Price Administrator to attempt to read a lecture to the Commission on the protection of the public interest against inflation. If there is any inflation possible in this case then the [fol. 361] Office of Price Administrator hasn't shown what it was.

That gets me ahead of my story, however. What I started to say was that from the very inception of this case, the Office of Price Administrator showed no concern whatever with offering evidence of inflation, and never has offered any evidence of inflation. When the examiner's proposed report came out, and I want to call your attention to the fact the examiner's report, Examiner Trezise's——

Judge McLaughlin: That is January or February, isn't it?

Mr. Finerty: That's right; I think it is February. I am awfully sorry I am not definite on that date.

Judge McLaughlin: All right, that's all right. I just wanted it approximately.

Mr. Finerty: When that proposed report came out——

Judge McLaughlin: Excuse me. That's 1943, too?

Mr. Finerty: 1943.

Judge McLaughlin: All right. Go ahead.

Mr. Finerty: When that proposed report came out, the examiner recommended that the Commission find a 10-cent fare on the downtown line to be reasonable.

Now, to listen to Mr. Hershenstein and to Mr. Booth, you would have thought that the Commission had ridden rough [fol. 362] shod over the rights of Jersey City and the rights of the public, and had paid no attention to anybody's rights except apparently an idea of subsidizing the Hudson & Manhattan Railroad Company with unearned increment. The contrary is the fact. Examiner Trezise's very sound report, so sound that three Commissioners dissented, was overruled by the Commission, and the Commission held that a 10-cent fare had not been justified, and restricted the Hudson & Manhattan Railroad Company to a 9-cent fare on its downtown line as a maximum reasonable fare.

Now, that was the Commission's findings and order of June 8, 1943; and in those findings and order, the Commission overruled a report of an examiner supported by three Commissioners, saying that we were entitled to a 10-cent fare. Does that look as if the Commission were railroading out of the way any legitimate claim, any legitimate consideration to which Jersey City might be entitled?

And what happened as a result of that? Of course, Jersey City recognized that that was a victory, and we equally recognized it was a defeat; and Jersey City never made a move to ask any reconsideration of that order of June 8, 1943. As a matter of fact, she has never made a move yet to do it. What happened was this: We found our- [fol. 363] selves in a position where, though we got a 9-cent cash fare, we couldn't collect it; and don't let Mr. Booth and don't let Mr. Hershenstein or any of these other theorists tell you that we are throwing away a thousand dollars a day for the pleasure of throwing it away. If we could have collected a 9-cent cash fare, we would have been a thousand dollars a day or more better off, ever since June 8, 1943. It is not a matter, in the next place, for the de-

cision of this Court. The Interstate Commerce Commission says we couldn't collect a 9-cent fare, cash fare, and when they said that they overlooked the evidence in the record at the time they made their order of June 8, 1943, showing we couldn't collect a 9-cent cash fare. And that evidence was the evidence of Mr. Brown, the chairman of the board, who commented, as one of the reasons that we had not taken advantage of a technical opportunity to publish a 9-cent fare on the downtown line under the Commission's order ex parte 148. As your Honors will probably remember, ex parte 148 was a general railroad proceeding, in which the carriers were permitted to increase all their freight rates six per cent and their passenger fares 10 per cent. By error, without our authority, we were made a party to that proceeding, merely as a member of the Ameri-
[fol. 364] can Association of Railroads. That proceeding was based on certain labor awards that had been made against the steam railroads and did not apply to us, though as the record before the Commission shows, we had incurred substantially the same increases in labor rates. But, furthermore, it was the maximum which the railroads asked. Well, we knew that a 9-cent fare was neither the maximum we needed, nor could we collect it if we got it. And we point out—Mr. Brown pointed this out to the Commission in his testimony; but for some reason or other, the Commission lost sight of it in their decision of June 8, 1943, and gave us a 9-cent fare, an uncollectible fare.

The Commission's rules of practice, which are attached as an exhibit to our answer to the City of Jersey City, require that an application or that a petition for reconsideration, rehearing or reargument, be made within thirty days. Within thirty days we petitioned for a reopening of the Commission's order of June 8, 1943, only to the extent, and our words were only to the extent, of such necessary modification as will enable us practicably to comply with that order; and we pointed out that the only practicable method of compliance was by the charging of our alternate fares of 11 tokens for a dollar or a cash fare of 10 cents; and that un-
[fol. 365] fortunately for us, that imposed upon us the collateral necessity of applying those alternative fares on our uptown line, where the fare was already and had been for 23 years 10 cents. So it meant a reduction in fares on our uptown line, and it meant, and this record shows, a reduc-

tion in revenue below what the Commission had estimated we would earn under a 9-cent fare on our downtown line and a 10-cent fare on our uptown line under the order of June 8, 1943.

The City of Jersey City and the Price Administrator both filed answers to that petition, and in both those answers, and they filed them some time in the middle of July, it is true both of them suggested that they would like the Commission to reconsider the 9-cent fare. No petition. And any petition was barred under the rules of the Commission, as being too late. And, remember, they had waited until we petitioned to reopen. They were thoroughly satisfied with the 9-cent fare and they are thoroughly satisfied with it now. They waited until we petitioned, and then they came in with a general suggestion that the Commission should reopen the 9-cent fare authorized by the order of June 8. They made these representations in unsworn replies to our sworn petition, and the Commission, in place of doing, as the Commission had a right to do, under the [fol. 366] rules of practice, saying "We won't receive those unsworn replies," the Commission took their unsworn replies, gave full credence to everything said in them, and proceeded to issue their order of August 3rd, report and order of August 3rd, 1943; and that report and order of August 3, 1943, was founded from start to finish, except in one respect, by its own terms, on the record already before the Commission. In that order, the Commission pointed out that they had overlooked this evidence showing we couldn't collect a 9-cent cash fare, and they took the allegations of our petition in that respect, and allowed us 11 tokens for a dollar, or a cash fare of 10 cents.

Now, in that respect and in that respect alone, did the Commission's order of August 3, 1943, go beyond the record already before the Commission; and in that respect and in that respect alone, was Jersey City and possibly the Office of Price Administrator entitled to any hearing. The Commission pointed out that otherwise their order of August 3rd was founded entirely on the record already before the Commission. They said that, "In previously holding that a 10-cent on the downtown line was not justified, we had reference to a 10-cent fare for general use. We had no reference to it for an occasional passenger." [fol. 367] And it then pointed out certain fare comparisons, including the fares fixed in ex parte 148 and not

revoked, and not revoked, so far as fares of the character of the Hudson & Manhattan were concerned, by the subsequent order of the Commission; pointed out that a 10-cent fare for the casual passenger would be in their opinion reasonable.

Now, that was expressly founded on the record already before the Commission. As to that no one was entitled to a further hearing. As to the 9-cent fare, they expressly pointed out that in authorizing the 9 and 11-cent fare, that that was de minimus; that there was so little difference it couldn't be measured—certainly, within Judge Brandeis' sphere of reasonableness. And they further pointed out that under the order they were making, our revenue would be reduced under that which they had intended to accord us by authorizing a 9-cent fare on the downtown line by the order of June 8th.

If the Commission, I am confident of this, if the Commission had seen fit to go ahead and say, "These people had an opportunity to answer you on the one question which is not covered by the previous record, what character of tokens shall be used and their value"—if the Commission had seen fit to go ahead without any hearing, I am [fol. 368] confident that the Supreme Court of the United States would have said, "It is too immaterial and too trifling to require a hearing." But, as the Commission said, in an abundance of caution, they granted a hearing.

And why did they grant that hearing? Because Jersey City came in and filed its original bill in this court, asking in terms that the Commission and the Hudson & Manhattan Railroad Company be restrained from any departure from the Commission's order of June 8, 1943, and the 9-cent fare there authorized, and asked that we be restrained from collecting any fare in excess of 9 cents.

Now, if that isn't an estoppel, we in answer had pointed out that their sole real basis of complaint about the order of August 3, 1943, was that they didn't have a chance to cross-examine or offer rebutting evidence on this question of the use of tokens.

Now, the Commission reopened the proceeding and it reopened it within the terms of the bill filed in this court; assuming that bill was filed in good faith, assuming that the City of Jersey City and OPA wanted the 9-cent fare maintained, the Commission reopened to consider only that portion of the record which went beyond the record pre-

[fol. 369] viously before the Commission and that had to do with the modifications in the order of June 8, 1943, affected by the order of August 3, 1943, and that was the alternative fares of 11 tokens for a dollar or a cash fare of a dime. And having specifically set out that they wanted to introduce, Jersey City wanted to introduce, counter evidence and wanted to cross-examine, Jersey City came to the hearing on that order and introduced not one word in opposition, not one word of evidence in opposition to the token fares. It did cross-examine, and the conclusions to be drawn from that cross-examination are shown in the Commission's report and are matters for the Commission, most respectfully, and not for this Court.

Judge McLaughlin: Did you say they cross-examined?

Mr. Finerty: Cross-examined our witnesses at length, yes; but with full opportunity to do so, offered no evidence——

Judge McLaughlin: Just so that we get it clear——

Mr. Finerty: I beg your pardon?

Judge McLaughlin: Just so that we get it clear, cross-examined, Mr. Finerty, on the matters which you say the hearing was confined to.

Mr. Finerty: That's correct.

Judge McLaughlin: On the tokens?

[fol. 370] Mr. Finerty: Yes. OPA, though, as I will show later, with no proper interest in the matter, did undertake to offer some evidence on the propriety of the token fares proposed, and offered some evidence, considered by the Commission and discussed by them in their report of November 2nd, which OPA contended showed that our estimate of the potential user of tokens against cash fares was too high—another matter for the decision of the Commission, and before whom there was plenty of evidence on the question.

Now, there was the situation and there was what the Commission had been asked to do; and the Commission did exactly what it had been asked to do. It reopened the case to meet the objections made by the City of Jersey City in its original complaint filed in this court on September 13th, and it did it on September 18th, issued its order on September 18th.

Now, OPA didn't join in that bill, but OPA alleges in its petition of intervention here, and so stated in the hearing

before the Commission, that it would have joined in that bill if it hadn't been for this order of reopening of September 18th. Well, the order reopening of September 18th was clear on its face. In fact, the order originally was more restricted than the Commission finally carried [fol. 371] out. The order originally provided that there should be no briefs or argument. On the hearing before the examiner, the examiner gave the parties their choice of oral argument before him or briefs to be filed with the Commission. All parties chose to file briefs with the Commission. So as far as that phase of the order of September 18th is concerned, Jersey City got exactly what they wanted.

But what happened on that hearing? On that hearing, Jersey City and OPA, having asked that the Interstate Commerce Commission be required to abide by its order of June 8th, and the 9-cent fare there authorized, undertook to attack that order and tried to offer evidence to show two things. Mr. Eisen, and I am referring to page 14 of the intervenor's petition of intervention, attempted to offer evidence to show that there had been such an increase in the traffic of the petitioner by reason of war conditions, in the first six months of 1943, that we would earn our bond interest without an increase from the 8-cent and 10-cent fares at present in effect. That was rejected by the examiner on the ground that it went beyond the limited issues of the hearing; but Mr. Eisen was expressly advised that he might petition the Commission to broaden the order of September 18th so as to receive that evidence; and I call your attention to the fact that neither Mr. Eisen nor any- [fol. 372] body for Jersey City ever petitioned the Commission to that effect.

Mr. Booth, on the other hand, undertook to show and to offer evidence, to elicit evidence, as to the net income of the railroad Company, designed to show that we would earn more than Mr. Booth alleges the Commission fixed as a maximum we could earn under its order of July 11, 1938.

Now, those are in terms Mr. Booth's offer, and they are reproduced in his motion, his written motion, filed on October 15th with the Commission for the reopening of the order of September 18th, so as to permit this evidence to be received.

And in that connection, Mr. Booth referred to an income statement he had of the Hudson & Manhattan Railroad

Company, or alleged he had. Again, the examiner told Mr. Booth that that went beyond the scope of the Commission's order of reopening of September 18th, but if he desired to do so, it was his privilege to petition the Commission to reopen and broaden its order of September 18th.

Now, let me point out to you, the examiner, in doing that, gave both Mr. Booth and Mr. Eisen latitude to which they were not entitled under the Commission's rules. They were bound by the Commission's rules to petition for a [fol. 373] reopening affecting the order of June 8, 1943, within thirty days of that order, and here they were being permitted in September, in effect, to petition to receive evidence directed to the 9-cent fare authorized by that order.

Mr. Booth did file such a petition. He filed it, dated it October 14th, it was received on October 15th in my office, we answered it on October 25th, and in our answer we called attention to the fact that Jersey City had not petitioned to reopen the order of September 18th so as to permit an attack on the Commission's order of June 8, 1943, and we said that they didn't dare do so, because to do so would have stultified their original complaint then pending unamended in this court as of that date.

Jersey City apparently with a half-hearted courage but too late, on September 26th, the day after our reply had been received——

Mr. Halloren: October 26th.

Mr. Finerty: —October 26th, filed or sent a letter to the Commission, with copies to the other parties, attempting to adopt the petition of OPA to reopen and broaden the order of September 18, 1943. It did not comply with the Commission's rules either as to form or content or service, [fol. 374] as to petitions for reopening, and the Commission disregarded it, and rightly disregarded it. But the Commission did give consideration to the petition of OPA.

Now, let me call your attention to what OPA wanted to introduce.

Judge McLaughlin: Excuse me. I don't want to interrupt you, Mr. Finerty——

Mr. Finerty: Yes.

Judge McLaughlin: —but while we are on that, did the Commission advise Jersey City that it was disregarding it, or is that just the effect of what they did?

Mr. Finerty: That would be the effect. As a matter of practice——

Judge McLaughlin: There was no actual order or anything like that?

Mr. Finerty: As a matter of practice before the Commission, where an informal application of that sort is received, it is filed as correspondence and not——

Judge McLaughlin: There is no answer to that?

Mr. Finerty: No. The parties are supposed to know what the rules require.

Judge McLaughlin: All right. Go ahead.

Mr. Finerty: Now, attached to the petition of intervention of OPA, on page 25, is Exhibit B. Now, curiously [fol. 375] enough, this Exhibit B is attached to the petition of intervention, but was never attached to the petition for reopening filed by OPA with the Interstate Commerce Commission. OPA's petition to the Interstate Commerce Commission violated, itself, every rule of the Commission, in failing to specify the evidence which they desired to adduce, and in failing to do more than state the conclusions of the pleader as to what that evidence would show. But this Exhibit B is a statement which OPA represented to be a statement of the net income of the Hudson & Manhattan Railroad Company from railroad operations. They knew at the time they offered it that it was no such thing. They got it from me, and they knew it was a consolidated statement of the corporate income, including the income from the Hudson Terminal Buildings, 30 and 50 Church Street, New York City; and they knew that that statement was of no probative value whatever to the Interstate Commerce Commission. And they knew, moreover, that the Interstate Commerce Commission had had that very statement before them on OPA's unsworn answer to our petition for reopening of the order of June 8th.

I call your attention to page 51 of the amended bill.

[fol. 376] Mr. Hershenstein: What page is that, Mr. Finerty?

Mr. Finerty: Page 51, the last paragraph; referring to exactly similar figures for four months instead of six months:

"The Price Administrator in his reply does show what purports to be the amount by which respondent failed to earn its full interest requirements in the first five months of 1943."

There was six months that they attempted to offer.

"The deficit"—in quotes—"so shown is $75,798, and for the twelve months of the year would be $181,915, which according to this protestant would leave available $1,203,685 for interest on the income bonds, equivalent to 4.34 per cent on $27,711,000 of such bonds, or approximately the same interest rate, 4.42 per cent, as we estimated would result from the amount so available under a 9-cent fare. Accordingly, it is argued that respondent is not now in need of any increase in its downtown fare. It is apparent, however, that the deficit"—

That same argument was made here, the same argument that was made in the petition to reopen, the order of October 18th, that we didn't need any increase, because of these earnings.

—"It is apparent, however, that the deficit and other re-
[fol. 377] sults given for the five-month period are not for railroad operations only, but also include the operation of respondent's terminal building and therefore are of no value to us in determining whether or not there has been any important change in the revenue results from the railroad operations since the record on which the prior reports is based was closed."

Now, what sort of good faith is there in trying to foist on this Court a representation that the Commission arbitrarily rejected, without good reason, an exhibit showing our revenues, allegedly showing our revenues, which would have caused the Commission, presumably, that must be their argument, had it been received, to have revoked the 9-cent fare authorized by order of June 8th.

Well, the answer is twofold. The offer isn't in good faith. OPA knows perfectly well that that exhibit was of no value whatever to the Commission. It was offered as a blind there; it is offered as a blind here. Moreover——

Judge Fake: Offered as a what?

Judge McLaughlin: As a blind, b-l-i-n-d.

Mr. Finerty: Moreover, if it had been true, it wouldn't have caused the Commission and shouldn't have caused the Commission, and this Court couldn't require it to cause the
[fol. 378] Commission, to change its conclusions in any particular. There is nothing limiting the Hudson & Manhattan Railroad Company to earning what the Commission said it might earn if it were lucky; and it wasn't lucky; under the Commission's order of July 11, 1938.

That was the purpose for which Mr. Booth in his petition to the Commission for reopening wanted to offer this evidence. Far from earning what we were supposed to earn under the Commission's order of July 11th, which they then calculated would be some $541,000 less than our bond interest, we never earned within $800,000 of our bond interest under that order, up to and including the time of our filing our petition for reopening in 1942. We have piled up a deficit in accrued interest on income bonds, under the Commission's order of July 11th, of over five and a half million dollars, and before we can ever pay a cent of dividends, we have to pay off that accrued interest on those income bonds. And we have a legal right to earn that accrued interest, and if the Commission gives us revenue to pay it, neither this Court nor any other court can review the Commission on that question.

So what does this talk about a denial of a fair hearing come to?

[fol. 379] The Commission rejected incompetent evidence directed to an incompetent ground. And yet—I told you that it had been unfair. It wasn't the Court's fault. But the argument on the interlocutory injunction had an unfair result to the Hudson & Manhattan Railroad Company, which I hope to have dissipated in some degree this afternoon, that ever since that argument, and all day, and probably until now, you have been under the impression that the Interstate Commerce Commission has arbitrarily refused to bring this record up to date, has arbitrarily excluded evidence that must have changed their opinion, and if it didn't change their opinion, would have warranted you in changing it, none of which is a fact. The Interstate Commerce Commission on the oral argument of this case in April, 1920, received——

Judge McLaughlin: 1920?

Mr. Buck: 1943.

Mr. Finerty: April 20, 1943, received in evidence, a most unusual thing for them to do, with our consent, received in evidence what is here a stipulation, showing the results of increased traffic on the Hudson & Manhattan Railroad Company for the first three months of 1943. This was obtained by Mr. Eisen, and he asked me if we would object to the Commission having that to bring them up to date on the [fol. 380] increase in our traffic. I said we would not, and the Commission received it in evidence. The Commission

had before it at the time it made its order of June 8, 1943, Mr. Eisen's estimates based on a projection of that evidence for the year period; and the Commission, in its conclusions, in its report of June 8th, mentioned that evidence and found as a result of it that it was reasonable to suppose that our traffic would increase a certain percentage; and on that percentage we would earn a certain amount of money. It developed that it increased more than that. The Commission had those additional figures before it when it issued its order of November 2, 1943. The traffic figures were brought up to date for the first eight months of 1943, before the Commission. This record is not stale. This record is right up to date, and up to date on a point where all parties and the Commission have made estimates as to what would be the result of the various fares applied to the estimated traffic for 1943, and you will find those figures in the Commission's reports of June 8, 1943, of August 3, 1943, and of November 2, 1943.

I have never heard more misrepresentation of a record before the Commission than has been indulged in here, as to the Commission's action. The Commission has sedulously [fol. 381] guarded every right of Jersey City, and the gratitude they have received is being accused publicly in the press of having trampled on them.

Judge Fake: Of having what?

Mr. Finerty: Having tramped on the rights of Jersey City.

Now, I revert to what I started with, and that is that you may disagree as much as you like with the conclusions the Commission has drawn from the evidence before it, you may think that other conclusions might have been drawn, you may have thought the Commission disregarded certain evidence, but unless you can say that there is no evidence before the Commission to support the orders, you must deny this injunction.

Now, I want to refer very briefly—I don't want to disappoint Mr. Booth nor the Court, because I think it will be informative; I do want to refer to what the Circuit Court of Appeals had to say about the attitude of the Office of Price Administration in cases of this nature, and that's in the Washington Gas Light case, 137 Federal (2d) 547; and, curiously, that case is so on all fours with this one, in the method used by the Office of Price Administration, that it is

almost incredible they are not talking about this case, when you read the opinion.

[fol. 382] In that case, as in this case, Mr. Booth, or his cohorts, went before the Public Utilities Commission and intervened under an order permitting—pardon me. They first went before them prior to the Act of October 2, 1942, in their own capacity, for OPA; as the court said, on page 358 of that opinion, their capacity then being essentially nothing different than their capacity now. That was to prevent inflation. In that capacity they did there as they did here, offered not one word of evidence, and a whole lot of arguments.

Mr. Booth: That isn't true, Mr. Finerty.

Mr. Finerty: I beg your pardon.

Mr. Booth: The court found——

Judge McLaughlin: Wait a minute, now, Mr. Booth.

Mr. Booth: I am sorry.

Judge McLaughlin: You will have an opportunity to reply.

Mr. Booth: All right. Pardon me.

Judge McLaughlin: Go ahead, Mr. Finerty.

Mr. Finerty: Then, the court having permitted their intervention under the Act of October 2nd, and they having exercised their rights under that Act, including rights that the court found they didn't have, of attacking the so-called sliding scale on utility charges, the Price Administrator [fol. 383] took the position that the Commission had denied them their day in court, because the Commission wouldn't open up the whole question of the legality of the fares or of the rates prescribed by the Public Utilities Commission; and the Circuit Court of Appeals said that the Office of Price Administration had no such standing in court, that its standing was confined to the question of inflation, that on that question they were entitled to a hearing but they were not entitled to dictate to the Public Utilities Commission there, and they would *would* say here to the Interstate Commerce Commission, what the scope of a hearing before an administrative body, charged with the enforcement of an administrative act, should be. And so long as they were heard before that body, on the issue in which alone they were properly interested, they had no ground to complain.

Now, I am not going to try to read you the opinion, but it is curiously apposite here. It couldn't be more on all fours,

both as to the attitude of the OPA and as to the procedure involved there and the procedural questions involved there.

Judge Meaney: Is that cited in your brief, Mr. Finerty?

Judge McLaughlin: Well, it is in the briefs, that Washington case.

[fol. 384] Mr. Finerty: I haven't seen the brief, so I don't know.

Mr. Booth: It is cited in Mr. Finerty's brief.

Judge McLaughlin: All right. It is in all the briefs, I think, on the interlocutory injunction, too.

Mr. Finerty: When I say I haven't seen it, I haven't gone sufficiently far through it to know whether that's included.

Now, I don't want to labor this question much further. I want to point out another thing which puts Jersey City and the Office of Price Administration out of court, or should put them out of court, in addition to the estoppel created by the original bill of complaint here, asking that the order of June 8th be maintained; and that is their failure to exhaust their administrative remedies. Jersey City up to date has never filed any petition for rehearing of any of these matters. It wasn't from any lack of being warned by the examiner. It simply was for the reason we assign. Jersey City felt she couldn't safely do it, as long as her unamended bill was pending in this court. Her amended bill, you will remember, attacks the order of June 8, 1943. But at the time that she had to file her petition for a rehearing with the Interstate Commerce Commission, in September, [fol. 385] 1943, her amended bill had not been filed, and her unamended bill specifically asked that the Commission's order of June 8th be enforced.

Now, in addition to that, in addition to estoppel, there is the ordinary rule, I think the cases are cited in our brief, the Myers' case, a very recent decision of the Supreme Court of the United States, saying that as an ordinary rule resort cannot be had to the courts until there has been an exhaustion of administrative remedies.

For once, this court is on the side of the angels, and I want to read a decision of this Court to the same effect, in Board of Public Utility Commissioners of New Jersey v. United States, at 21 F. Supp. 543, 1937. In that case a suit was brought to enjoin an order of the Interstate Commerce Commission invalidating intrastate freight rates fixed by the board. The board contended inter alia that the Commis-

sion's order was not supported by proper findings. This Court said, page 549:

"All parties to the proceeding are entitled to file their exceptions to the proposed report, and as matter of practice the Commission accepts as sound and accurate, and as supported by the evidence, all findings of fact in the proposed report to which no exceptions are made. In the instant case [fol. 386] plaintiff filed exceptions but made no objection as to the sufficiency of the findings. Under the Commission's Rules of Practice (Rule XV)"—and our Rule 101—"it is permissible for any party, after decision, to apply for a rehearing for the taking of additional testimony, for reargument, or for reconsideration. Plaintiff did not apply to the Commission for rehearing in this case. By petition for such rehearing the way was open to plaintiff to urge upon the Commission the argument which it now presents for the first time to the court as to alleged insufficiency of the findings. It should have exhausted its remedies before the Commission before appealing in this respect to the court."

And the court dismissed the bill.

Judge Fake: What's that citation?

Mr. Finerty: That is Board of Public Utility Commissioners of New Jersey v. United States, 21 F. Supp. 543.

You will pardon me a moment.

Judge McLaughlin: Certainly.

Mr. Finerty: Mr. Buck and Mr. Halloren call my attention to a matter that perhaps should be commented on to the Court. That is the suggestion that the order of June 8, 1943 [fol. 387] in terms provides that it shall be subject at any time to a petition for a reopening. It should be understood that that order has never become effective and therefore that that provision of the order has never had a chance to become applicable. In other words, we have never been able to publish the fare of 9 cents accorded us by that order. So that it will be time enough—and incidentally, of course, it does afford additional answer to their whole bill for injunction; I mean any necessity for injunction. Just as soon as that order becomes effective, under its terms, if these people can show that we are not entitled to a 9-cent fare, or a 9 and 11-cent fare, or the alternative, a cash fare of 10 cents, they have under that order their rights protected; they can come in the next day and ask the Commission to

reopen the case, and I have no doubt the Commission would entertain a petition. What they did on it would depend on what showing they made, and it would have to be a better showing than they have yet made on any of their efforts in this case since that order was entered.

I just want to say in closing that I can't see how an injunction can be granted in this case without disregarding the undoubted rule, that where there is any evidence to support an order of the Commission, the court may not en- [fol. 388] join it; and I do not see how any injunction can be granted in this case based on any theory of a denial of full and fair hearing, but I think it would be a most lamentable thing, in view of the fact that there was pending before this court an original bill of complaint which acts as an estoppel on this amended bill of complaint, for this court to entertain the amended bill of complaint and grant an injunction on it.

Thank you.

Judge McLaughlin: All right. Now, how about reply? Do you want to reply, Mr. Hershenstein?

Mr. Hershenstein: I desire to make a short reply.

Judge McLaughin: I think ten minutes ought to be sufficient.

Mr. Hershenstein: Supposing we take fifteen minutes.

Judge McLaughlin: I beg your pardon?

Mr. Hershenstein: Not over fifteen minutes.

Judge McLaughlin: Go ahead.

Mr. Hershenstein: Mr. Eisen——

Judge McLaughlin: Did you hear me say ten minutes?

Mr. Hershenstein: I heard you say ten minutes.

Judge McLaughlin: Did you? All right.

Mr. Hershenstein: I asked for the extra five minutes.

[fol. 389] Mr. Booth: May I have five or ten minutes also?

Judge McLaughlin: Yes, Mr. Booth.

Mr. Eisen: If your Honors please, at the very outset, so that there may be no dispute with respect to the issues, we agree wholly with the statement of Mr. Finerty that the principal issue herein is the determination by this Court as we have set out in paragraph 30 of our bill of complaint, whether or not the Commission's orders were arbitrary and capricious, without foundation in law, based upon errors of law, and without adequate findings or any evidence to support them, and contrary to the evidence of record.

We submit, if your Honors please, that the findings of the Commission herein involved are without any evidence to support them, as I shall shortly show. At the very beginning, it is clear that the Interstate Commerce Commission, being an arm of Congress, has no powers other than those specifically delegated to it, and those powers are as set forth in the Interstate Commerce Act. Any action by the Commission undertaken by it beyond the scope of the powers specifically delegated to it is null and void.

To go back, the original basis for this entire proceeding was a tariff published by the Railroad on September 1, 1937, [fol. 390] wherein a fare of 10 cents was proposed. Upon protest, alleging a violation of two sections of the Interstate Commerce Act, that tariff was suspended, and those proceedings were instituted. That allegation was that the 10-cent fare violated Section 1 of the Act; in other words, that it was excessive, arbitrary and unreasonable and therefore illegal. Secondly, that it was unduly preferential and prejudicial, in violation of Section 3 of the Act.

Realizing their inability to contest that allegation, the Hudson & Manhattan Railroad sought refuge under a third section of the Act, Section 15a (2). Now, that's the only section with which we are here concerned. That section is known as the revenue section of the Act. It is brief and I shall read it:

"In the exercise of its power to prescribe just and reasonable rates the Commission shall give due consideration, among other factors, to the effect of rates on the movement of traffic by the carrier or carriers for which the rates are prescribed; to the need, in the public interest, of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service;"—and this is the important part of it—"and to the need of revenues sufficient to enable the carriers, under honest, econom- [fol. 391] ical and efficient management to provide such service."

The plea of the railroads to the Commission was a need for more revenue. Now, that was the only issue in the case, because on precisely the same factual situation as exists in this record today, the Interstate Commerce Commission in 1938, this Court and the United States Supreme Court, unequivocally found that a 10-cent downtown fare based on the record as still exists today was in violation

of Section 1, was unreasonable, was in violation of Section 3, unduly preferential to the uptown patrons and unduly prejudicial to the downtown patrons.

There being no changed facts in the record, those findings are res judicata with respect to Sections 1 and 3. All we have left is Section 15a (2). Before relief can possibly be accorded under that section, the Commission is required to make two fundamental findings; one with respect to revenue. What do we mean by that? A determination, (a): Does the carrier need more money? (b) How much more money does it need? (c) How should that money be allocated? The additional revenues—who should bear that?

That is the first finding the Commission is required under the law to make.

The second finding is, is the railroad efficiently and eco- [fol. 392] nomically managed, to warrant the prescription of the additional revenue?

Now, at the hearings herein, and incidentally, we take the position, and I think we are well supported in law, as our brief will show, that the Commission has no other alternative, no other basis upon which to prescribe increased revenue. There is nothing in the Act that says the Commission can depart from all of the Congressional requirements and award a carrier increased revenue merely because the carrier has an accounting disability. There is nothing in the Act that says the Commission can set down any fare and say, "Let's see; does an 8-cent fare produce less revenue than a 9-cent fare? Does a 9-cent fare produce less revenue than an 11-cent fare?"

If that were the only basis, of course, any increased fare would produce more revenue. That isn't what the Act says. That isn't what power the Commission has. The Commission must first determine, Does the carrier need revenue? How much? And against whom should it be charged?

Now, at the hearing beginning September 28th, we were told, "We are not interested in revenue in this proceeding. The only purpose of this proceeding is to determine, will [fol. 393] more revenue accure to the carrier under the alternative basis herein proposed, or under some other figure, the 9-cent fare theretofore prescribed.

There is nothing in the Act that gives the Commission the right to authorize an increase predicated wholly and solely on that fact.

We sought to introduce evidence to establish the revenue requirements. In order to establish revenue, you must determine, first of all, what is the patronage. I have heard Mr. Finerty say five or six times that the traffic figures were introduced. What he didn't tell you was that the complete traffic figures were not introduced. True, they sought to submit certain abstracted figures, their local traffic; but the interline traffic, a very, very essential consideration, was never included in those traffic figures submitted to the Commission. We sought to submit the complete picture. We had a witness, Mr. Finerty said we offered no testimony, we had a witness in Washington, a traffic expert, who would testify to those things. The examiner clearly indicated that that evidence would not be admitted. I was compelled to make an offer of proof, indicate that the witness was there, that had I been permitted, that testimony would have gone into the record. That's the reason we offered no [fol. 394] proof We couldn't start with our proof.

Point 2: In order to determine whether the carrier needs revenue, you must determine, in addition to its intake, its income, what its expenses are. When we sought to question the accounting witnesses of the Railroad with respect to its expenditures, we were told, "This is beyond the scope of the hearing. You can't go into that."

Well, then, what revenue does the carrier need? There is nothing in the record that will support any such finding. The Commission precluded itself, because of the record, from making any finding as to revenue, or the amount of the revenue.

Now, in 1938, when the case was before the Commission and the courts, the Commission authorized the carrier to increase its fare to 8 cents, and coupled with that authorization, made this finding, which was affirmed by the courts. That authorized increase would produce some $541,000 less money than the carrier indicated it needed, and the Commission said to the carrier, "If you feel that you need more revenue, go to your interline traffic."

Now, in determining the allocation of this revenue needs, if any revenue needs exist, what proportion should the interline traffic now bear?

[fol. 395] We were prepared, had we been permitted to go ahead, to show that in 1943, for the first six months of 1943, the joint or interline traffic was almost 60 per cent

over that of 1941. Obviously, there would be some different allocation under the increased patronage. The Hudson & Manhattan Railroad says that one of the basic needs for the increased revenue they are here seeking is the necessity therefor as a result of increased wartime traffic. The principal increase in their wartime traffic is an interline revenue. Yet, we were precluded from establishing that fact. Therefore, we cannot establish the first——

Judge McLaughlin: Wait a moment.

Mr. Eisen: I am sorry.

Judge McLaughlin: Mr. Finerty, do you take the position that you can't go to your interline carrier, the Pennsylvania, for example, for a greater proportion of fare, until this particular rate hearing is out of the way?

Mr. Finerty: We have taken that position, your Honor, before the Commission, and the Commission has so found.

Judge McLaughlin: Very good.

Mr. Finerty: Our position is that with an 8-cent fare, we cannot get more than our 7.56 present division.

[fol. 396] Judge McLaughlin: All right.

Mr. Eisen: What Mr. Finerty didn't also answer is the fact that——

Judge McLaughlin: Wait a minute. Sit down, Mr. Finerty. That's all; thank you.

What have you to say as to that?

Mr. Eisen: There are three basic fares—divisions, I should say. There is a division between downtown New York City and New York City in which the Hudson & Manhattan receives five cents. Mr. Finerty hasn't referred to the 5-cent division, which is three cents less——

Judge McLaughlin: Wait a minute; wait a minute. Judge Fake thinks perhaps I haven't made myself clear to you. What is your position with reference to whether or not the Hudson & Manhattan could go to the Pennsylvania for an increase in its share of fare from the Pennsylvania, and not be bound by this decision?

Mr. Eisen: They couldn't possibly be bound by this decision, your Honor, because they have a directive from the Commission, they have a directive from the court, and the Supreme Court, saying that they should obtain additional revenue.

Judge McLaughlin: All right. Now, just one more question, and then go along.

[fol. 397] Mr. Finerty says that the Commission, the Interstate Commerce Commission, has so ruled, that the Hudson & Manhattan can't go to the Pennsylvania, if I understood him correctly, for more money unless this rate is raised.

Mr. Eisen: Directly the opposite.

Judge McLaughlin: Wait a minute.

Mr. Eisen: Oh. I am sorry.

Judge McLaughlin: Go ahead, Mr. Finerty.

Mr. Finerty: In its orders of June 8th, its orders of August 3rd and November 2nd,——

Judge McLaughlin: This year?

Mr. Finerty: — the Commission specifically recognizes that one of the reasons for allowing us our increase in rate was our representation that it would enable us then to go to the Pennsylvania for increased charges, and I think I am correct in saying that in one of those orders it recites the fact that we have already approached the Commission, based on the order of August 3rd. I may be wrong in that.

Judge McLaughlin: All right.

Mr. Finerty: But it is in this record here some place.

Judge McLaughlin: All right. Very good. Go ahead, Mr. Eisen.

[fol. 398] Mr. Eisen: It is a fact, your Honor, that all of the records of the Commission, even down to date, still carry that directive to the Hudson & Manhattan Railroad to seek additional revenue from the interline traffic. And I would like to call attention, while we are on that traffic, to this one fundamental fact, to show the dereliction of the Hudson & Manhattan Railroad with respect to the divisional feature. They are supposed to get 40 per cent of the revenue derived from the joint line traffic. In February of 1942, as a result of this ex parte 148 you have heard so much about, the joint line fares were increased 10 per cent. The Hudson & Manhattan Railroad to this day has not obtained a single penny of that 10 per cent increase. We estimated and tried to establish on cross examination that their proportion of that increase alone would be over $500,000 a year. We have been precluded from so establishing.

Mr. Finerty: If the Court please,——

Judge McLaughlin: All right. Go head, Mr. Eisen.

Mr. Eisen: Now, you have in the record, therefore, or I should say the record fails to contain therein, any basis

for the Commission for making a finding as to what revenue, if any, the carrier needs, how it should be allocated. You also, as a result of the divisional matters, the inability [fol. 399] or the lack of desire of the Hudson & Manhattan Railroad to secure its proportion of the ex parte 148 increase, its lack of desire to follow an admonition of the Commission made, I think, in 1923, to increase the downtown local division of five cents, which they have never bothered with, it is the lowest division they have—they are asking for a 10-cent local fare on precisely the same service that they get five cents from the Pennsylvania Railroad, and out of that five cents they pay back a good proportion of it in alleged easements. Now, prior to the increase——

Mr. Finerty: If the Court please——

Judge McLaughlin: Mr. Finerty, you will have a chance for a short reply, if you want it.

All right, go ahead, Mr. Eisen.

Mr. Eisen: Prior to the increase resulting from the Commission's order of July 11, 1938, you had a division on the downtown line which exceeded the local rate. Now, since the local rate went up, as a result of the Commission's order of July, 1938, to 8 cents, in connection with the 7.64 division, the Hudson & Manhattan says, "We cannot with propriety go to the Pennsylvania Railroad and ask them to pay a greater division than we exact from the local patrons."

Now, if, when the local fare were increased two cents in [fol. 400] 1938, the Hudson & Manhattan had sought and obtained an increase in its divisions, it could have maintained the pre-existing parity by a two-cent increase in those divisions. Now, the record being incapable of supplying figures upon which to predicate—the decision by the Commission—a revenue conclusion, Section 15a (2) cannot be invoked. There is no evidence to support any finding that the carrier needs revenue, the amount of revenue, or that the carrier is efficiently managed. Therefore, what can the Commission do? It can only go back to Sections 1 and 3, which, as I indicated, already condemn the 10-cent fare.

Now, we have been accused of misrepresentation to the Court. We have been accused of doing various bad things in connection, first of all, with the decision of June 8, 1943. You will recall perhaps from the argument on the inter-

locutory injunction that that decision of June 8th affirmed the finding that the 10-cent fare was unreasonable, directed the carrier to go to its interline traffic for additional revenue, but stated that because all the railroads in the country had been authorized to increase their fares, passenger and freight, the Commission would do likewise with the Hudson & Manhattan. However, since that decision, as was indicated, the ex parte 148 increases have been removed with [fol. 401] the exception of long distance passenger fares, the retention of the increase in that case being necessary to the war effort. Furthermore, the decision of June 8th closes with the statement that if at any time any of the parties to the proceedings desire to show changed conditions, they will be given an opportunity to do so.

At this further hearing conducted by the Commission on September 28th, we sought to show the changed conditions. We were precluded from doing so. The Commission pre-judged what would happen if that evidence came along. We had a clear indication of the attitude of the Commission. To file petitions or to do otherwise, as was indicated and clearly indicated, would have been merely a vain act.

Now, when the case was reopened on September 28th, there was no materiality in the evidence as to whether the tokens would be used 90 per cent or 10 per cent or 5 per cent or any percentage. The only issue before the Commission then, as was before the Commission throughout, was whether the Commission would act under Section 1, Section 3, or Section 15a (2). And there is nothing in Section 15a (2) which will give the Commission the right to authorize a fare increase or passenger increase on any basis other than that I have indicated: a passenger—or [fol. 402] a revenue need and efficient, economical, management.

Now, Mr. Finerty has indicated that at that reopened hearing we cross examined the witnesses at length. Every time we endeavored to cross examine——

Judge McLaughlin: Mr. Eisen, apparently you have gone to another point now.

Mr. Eisen: Yes, sir.

Judge McLaughlin: And we don't like to interrupt, but just to get this clear, is it your idea that the Hudson & Manhattan at that hearing, or at these hearings, in '43 haven't shown any need for revenue, increased revenue?

Mr. Eisen: No, sir, they have not.

Judge McLaughlin: All right.

Mr. Eisen: That's the point I make. We——

Judge McLaughlin: Well, we are clear on that. That's what you said.

Mr. Eisen: That's right.

Judge McLaughlin: And that's argued at some length in your brief, is it?

Mr. Eisen: I think it is, yes, sir.

Judge McLaughlin: Well, the point is, how, for example, in the order of June 8, 1943, where the fare was increased to 9 cents,—how did the Commission increase from 8 to 9 [fol. 403] if there was no proof, no evidence, no testimony, of a need for increased revenue?

Mr. Eisen: That increase it prescribed in the June 8th order flowed principally from the ex parte 148, an indication that all roads in the country had gotten a 10 per cent increase; the Hudson & Manhattan could have gotten it if they had so desired; and that therefore they should take it in accordance with that order.

In the August 3rd and November 2nd cases there was absolutely no attempt to show revenues whatsoever. The Commission circumscribed the issue to determine whether the 9-cent fare prescribed on June 8th would produce more revenue, or whether the token basis, the alternative basis of tokens, with the 10-cent fare, would produce more revenue. That was the issue set up in the reopened hearing. We couldn't proceed beyond that.

Judge McLaughlin: On the ex parte 148, there is no question but that the Hudson & Manhattan was entitled to that increase if they had taken it? Or is there any question?

Mr. Eisen: There is no question about that at all.

Judge McLaughlin: All right.

Mr. Eisen: Except that these increases have since been [fol. 404] lifted.

Mr. Finerty: That is not so.

Judge McLaughlin: Mr. Finerty, you will get a chance to talk.

Mr. Finerty: I will never catch up with these misstatements.

Judge McLaughlin: All right. Make a note of them.

Mr. Eisen: The ex parte 148 increases on freight were

lifted, and on all passenger fares, other than long-haul passenger fares, on commuter fares, and on intrastate fares, they were lifted; and this is commuter traffic.

Now, we have heard that we were given an opportunity to cross examine witnesses at length, for further hearing. Yes, we were given an opportunity if we had confined our cross examination to this issue, that had no materiality.

Judge McLaughlin: Mr. Finerty said that. There is no debate on that.

We have interrupted you a minute or so, Mr. Eisen, but I think you are about finishing up now, aren't you?

Mr. Eisen: Yes, sir. I think I have completed, your Honors. Thank you.

Judge McLaughlin: All right. Suppose we take a recess for about three minutes.

[fol. 405] (Following a short recess at this point the hearing was resumed as follows:)

Judge McLaughlin: All right, Mr. Booth.

Mr. Booth: I find it, of course, extremely difficult to understand the suggestion of counsel for the company that their right to divisions, greater divisions, on the interline traffic with the Pennsylvania Railroad, is dependent upon a further increase, in view of the clear and unmistakable statement of the Commission in the July 11, 1938 order, where the Commission, in closing its order, stated:

"If respondent should feel impelled to seek a further increase in revenue, it should consider doing so on interline traffic."

That, of course, was in 1938, and the company had all these years to do it; and the Commission's directions were, of course, predicated upon the 8-cent fares.

Now, counsel for the company apparently has suggested that the only question that's involved here, except for the question of fair hearing, is the question of whether there is any evidence to support the Commission's conclusions. We, like the City of Jersey City, in our complaint, specifically alleged that the Commission's orders were entered without any supporting evidence. But it might be of interest to the [fol. 406] Court to note an opinion handed down by the Supreme Court on December 3rd, involving an I. C. C. case,

referred to by counsel for the I. C. C. The court's opinion in that case closes with these words:

"The rule is too well settled to admit of any doubt that a finding by the Commission supported by substantial evidence must be sustained."

Now——

Judge McLaughlin: Is that the Hoboken case?

Mr. Booth: I think so. Hanna Furnace Company v. United States, decided on December 3rd.

Judge McLaughlin: All right. Go ahead.

Mr. Booth: There were two decisions handed down on that day. I am not sure which one it is.

Now, with respect to the participation of OPA in the case, and the question of the legal effect of the Act of October 2nd, the closing portion of the brief of the Commission indicates that the Director, or the Price Administrator, was given the right to intervene, and he availed himself of it; and having lost out in the Commission, it would seem that the Director might well have accepted the conclusion of the Commission and not try to do indirectly what he cannot do directly, namely: have any say as to the reasonableness of common carrier rates.

[fol. 407] Well, that, like the position of counsel for this company, is predicated upon a complete misunderstanding and misapprehension as to the additional legal duty of the Commission, imposed by the wartime conditions and the stabilization legislation, to show their fixing of rates under wartime conditions meets proper standards of wartime conditions, and gives full effect to the stabilization legislation; and as—even in the majority opinion of the Court of Appeals in the Gas case, as when the court reads the opinion, the Court will note, even as to the one and one-half per cent increase that was involved there, this being a 13 and a 25 per cent increase over and above the rates in effect on September 15, 1942, the court apparently found that the Commission had given effect to the stabilization legislation.

There is nothing in this opinion or in the opinions of the Commission under attack here which indicates that the Commission has reduced the amount of the rate increase that the company sought in any way due to the effect of the wartime conditions and the need for keeping down the cost of living. Now counsel for the company says we didn't offer any evidence as to inflation. It wasn't any of our busi-

ness to offer any evidence as to this token fare problem. [fol. 408] Now they presented an unsupported statement to the effect that 90 per cent of the people, the riders, would buy tokens. They say that we have no interest in the question as to the number of people who would probably pay a 25 per cent increase in fares, over and above the fares in effect on September 15th, and the only evidence on the whole question of token fares that had any scientific foundation, or was a study that was based upon the experience of the traction industry, was the exhibit that we offered and submitted into the record, and that was a study of the American Transit Association, and that showed clearly the traction companies as a rule, generally speaking, as a matter of fact, without any exceptions, never have found it practicable to use the kind of token fare structure that was adopted by the Hudson & Manhattan Railroad in this case. And in that connection, I want to read just one portion of the testimony in 1942——

Judge McLaughlin: This is with reference to what, Mr. Booth?

Mr. Booth: Token fares; a statement by the general superintendent. The examiner asked the general superintendent of the company:

"Well, your testimony is to the effect that the selling of tokens would not be advantageous to the company, either from an economical standpoint or from a practical stand- [fol. 409] point, isn't that true?

"The Witness: That is correct."

Now, there was the general superintendent over a year ago, pointing out that the idea of the token fares was impractical, as far as the traction industry is concerned, and yet the Commission accepted without any support a mere general statement of an officer, that 90 per cent of the people would buy tokens under the proposed token fare structure, when the A. T. A. study, and all the experience of traction companies using token fares, points to the fact that probably 50 per cent of the people would be paying 10 cents as contrasted with the 8-cent in effect on September 15, 1942.

Now, the suggestion is also made by Mr. Finerty that we were given a full hearing, because the character of the evidence that we offered really was irrelevant; and that the

Exhibit B, which was attached to our complaint, dealt with the earnings of the Railroad as a whole.

Well, the fact is, as the transcript shows, at page 2446a and 2446b,—as soon as the Commission announced that they were going to hold a new hearing, I sent one of our experts, Mr. Kosh, down to the offices of the Railroad, asked for a breakdown of the company's income and expenses to its railroad operations and to its overall operations. All [fol. 410] that, the company refused to produce. Then, of course, the one thing that was available was this report of seven months operations, which had been filed with the Commission. It wasn't in the record, and it wasn't proper for the Commission under the decisions to take notice of it, unless it had been incorporated in the record.

When Mr. Koch, K-o-c-h, the examiner, stated he wouldn't even allow that to be marked for identification, because, as the record shows, he said it was irrelevant, obviously, when we were precluded from cross examining the witnesses of the company as to the breakdown of the earnings from their railroad operations exclusively, obviously, we couldn't have any exhibits dealing with their railroad operations as distinguished from their overall operations, and as the record shows, Mr. Finerty expressly admitted, he says, that he refused to make that data that we asked for, that Mr. Kosh went down and asked for, at our request, he specifically refused to make that available.

Now, we think, again, that it is clear——

Judge McLaughlin: There is a question, Mr. Booth, if you are finishing up.

Mr. Booth: Pardon me.

Judge Fake: The rehearing at which you argue the evi- [fol. 411] dence you offered was not admitted, was the rehearing which led to the order of November 2nd?

Mr. Booth: Correct.

Judge Fake: And that rehearing was opened up for a very limited purpose, according to the order itself, was it?

Mr. Booth: Correct.

Judge Fake: Did the testimony that you attempted there to produce exceed the limitations of the order the Commission had fixed, or did they rule on that point?

Mr. Booth: Examiner Koch said at the opening of the hearing that the Commission's order of September 18th, reopening this case, after this injunction suit had been

instituted by the company, was limited to the question of the token fare problem and the feasibility. I took——

Judge Fake: The evidence then that you undertook to introduce transcended that limitation, did it, or did it not?

Mr. Booth: We will have to concede that it transcended the limitation which the examiner said was imposed by the Commission. We will have to admit that.

Judge Fake: Now, here is a point that has arisen in my mind during this argument: Isn't the Commission the sole judge as to when it feels it has sufficient testimony [fol. 412] before it, to discontinue further hearings? And then let's assume that they discontinue and you are aggrieved. Aren't you then in a position where you may further pursue your administrative remedy by asking for a complete rehearing on the entire record? And I think your answer to that would be yes.

Mr. Booth: I think that that is—that the effect of what we asked for in our October 14th motion which——

Judge Fake: Now, the difficulty with that is, I gather from what I have heard here, that a letter was written which did not conform with the rules of the Commission, either as to form or substance, and therefore the Commission has disregarded it. Is that correct?

Mr. Booth: Well, that refers merely to the letter of Jersey City supporting this formal motion and document which we filed with the Commission on October 14th.

Judge Fake: Yes; you say that refers merely to the letter of Jersey City.

Mr. Booth: That's right.

Judge Fake: Now, did you file——

Mr. Booth: Oh, yes.

Judge Fake: —any formal petition for rehearing on the entire case?

[fol. 413] Mr. Booth: I think that's what we did, and I think——

Judge Fake: Now, then, did you do it within time?

Mr. Booth: Oh, yes. We did it on October 14th, at the same time that we filed our brief with the Commission, after the close of the hearings on September 29th.

Judge Fake: And it was your contention there that the entire record should be re-examined, is that correct?

Mr. Booth: We made a specific request——

Judge Fake: Now, they ruled against you on that?

Mr. Booth: That's right.

Judge Fake: Well, how could that issue get to this Court? Why wasn't that entirely within the discretionary power of the Commission?

Mr. Booth: If this Court is of the opinion that a railroad transportation company may increase its rates, even with an order of the Interstate Commerce Commission, without showing—increase its rates over and above the rates in effect on September 15, 1942, without any effect or consideration to the need for keeping down the cost of living, if this Court is of the opinion that the courts have no power to pass upon the question whether a fair hearing has been granted, notwithstanding the long line of decisions and the elemental principle that that is a judicial question and not [fol. 414] a question for the Commission, and that in all the cases, practically all the cases, you will find that the Commissions have leaned over backwards, and the courts have said that a full and fair——

Judge Fake: Are you here today on any exception to that particular petition that we are talking about?

Mr. Booth: Oh, yes. Our complaint, intervening petition, says specifically——

Judge Fake: I thought you were here on an order of June 8th, and another order of November 2nd.

Mr. Booth: Correct.

Judge Fake: Now you have one there that seems to have to do with another date, haven't you?

Mr. Booth: Oh, no. The order of November 2nd, of the Commission——

Judge Fake: It is based on that petition?

Mr. Booth: That's right. That denies that, and in our complaint, intervening petition here, we have said that a full and fair hearing was denied the Director, because of the refusal of the Commission, the examiner, to allow us to present the evidence on September 28th, as well as the denial——

Judge Fake: Now, did you introduce any evidence bearing on inflation?

[fol. 415] Mr. Booth: Did we present any evidence on inflation? I just don't know what that means. I don't agree with—that is, I don't agree with counsel for the Railroad, his position as to what evidence is——

Judge Fake: His position, apparently, is, and that's why I ask you, that certainly you have no right to appear ex-

cept on that one issue, and that's the only issue with which you are concerned. You are concerned only with the question of inflation.

Mr. Booth: We are concerned with——

Judge Fake: That's his position.

Mr. Booth: Yes.

Judge Fake: I don't know that it is sound but——

Mr. Booth: Well, we don't agree with that. I don't know what he means by what is inflation; and I don't know that we are restricted merely to a showing, as he suggests, that once the Commission has authorized an increase, to show that the increase is contrary to the Act of October 2nd. We were trying to demonstrate that the increase in the fares was not necessary as far as this company was concerned, because of the improvement in its operations, as a result of the war, and the restrictions imposed——

Judge Fake: Did they already have any testimony on that subject before them?

[fol. 416] Mr. Booth: They had practically nothing, because the record had been closed in September of 1942, and as we have contended, the record had become stale, and the order of the Commission had become illegal and invalid, and we were trying to bring this record, both Jersey City and ourselves, down to date; and we, in our motion—it has been suggested that we didn't ask for the production or we didn't ask to lay down certain specific evidence. The Commission in its order said very clearly that it didn't think this evidence would make any difference in its conclusion; but it didn't know what evidence we were going to offer, and it didn't criticise our offer of evidence because we weren't specific.

Judge Fake: Well, then, according to that, you didn't have anything before them.

Mr. Booth: Pardon me, ——?

(Comment by Judge Fake was repeated by the reporter.)

Mr. Booth: Well, we did have something before them, because we had the exceptions from the rulings of the examiner, prohibiting us from presenting the evidence. In our October 14th motion we took exceptions to the rulings of the examiner which prohibited us from cross examining the witnesses of the company and prohibited our witnesses [fol. 417] from——

Judge Fake: Have you any cases to the effect that where you are precluded before this Commission from cross examining witnesses, that that amounts to arbitrary and capricious conduct on the part of the Commission?

Mr. Booth: I think that the cases that we have cited——

Judge Fake: Oh, you have them in your brief?

Mr. Booth: In our brief.

Judge Fake: All right. Don't waste any time then. We will read them.

Mr. Booth: — amply support that proposition, as a general proposition. And in closing, we again suggest that I think a full and complete case has been made out by Jersey City and by the Director, entitling us to a permanent injunction in this case.

Judge McLaughlin: Mr. Finerty, we said we would give you a few minutes to cover the points raised on the replies, if necessary.

Mr. Finerty: Thank you very much.

In connection with Judge Fake's query to Mr. Booth, as to the power of the Commission to control the matter of reopening of a record before it, what you stated, Judge Fake, is substantially the decision of the Supreme Court of the United States, in Illinois Commerce *Commerce* Com-[fol. 418] mission v. U. S., 292 U. S. 474, cited at pages 42 and 43—42 to 44—of our brief and there discussed.

Now, I dislike very much to accuse my opponents of misrepresentation, but I can't consider it anything less when Mr. Eisen repeats here what he has repeated, in spite of admonitions to the contrary, throughout this proceeding, that the factual situation upon which the Commission acted in entering its order of June 8, 1943, was exactly the same as that on which its order of July 11, 1938 was entered.

Aside from the Commission's reports, I took exception to that reiteration of that statement as long ago as the reply filed by the Hudson & Manhattan to Mr. Eisen's exceptions to Examiner Trezise's report, reply of March 18, 1943, which is filed here as Defendant's Exhibit 10, and I desire very particularly to call the Court's attention to pages 23 to 30 of that brief, setting out in detail the change in the factual situation, and the record citations supporting it.

Judge Meaney: What exhibit is that, Mr. Finerty?

Mr. Finerty: That's Defendant's Exhibit 10, Judge Meaney.

Judge Meaney: And pages 23 —— ?

Mr. Finerty: Pages 23 to 30.

[fol. 419] I also desire to call your attention to the amended bill, pages 41 to 42, setting out the Commission's findings and order of June 8, 1943; and there they set out their major findings, being substantially along the lines indicated in my exceptions. Unfortunately, they didn't go all the way with me, and they gave us a 9-cent fare instead of a 10-cent fare. But as far as the changes in conditions are concerned, they are there set out. And I call your particular attention to the fact that Mr. Eisen again is absolutely unwarranted in this record by his repeated statement before this Court, he made it on the interlocutory injunction, that the Commission's order approving the 9-cent fare, of June 8, 1943, was based on ex parte 148. Ex parte 148 was only incidentally mentioned in connection with that order as a matter that we might have taken advantage of but didn't. It is true that later, in the order of November 2nd and the order of August 3, 1943, the Commission found on the basis of their finding in ex parte 148, that the maximum reasonable fare on the uptown line of defendant was no longer 10 cents but 11 cents, and said we might have taken advantage of that but hadn't; instead of which, we were reducing that fare to 11 tokens for a dollar.

Now——

[fol. 420] Judge Fake: What about the proposition of not being able to get contribution until this issue here is settled?

Mr. Finerty: From the Pennsylvania Railroad? I am coming to that.

We took the position, and one of the grounds for reopening on which we applied in June, 1942 for reopening of the Commission's order of July 11, 1938, was that so long as that order stood, prescribing an 8-cent fare as a maximum fare on the downtown line, we could not expect to coax the Pennsylvania Railroad, at any rate, into an increase in divisions. Our divisions on the uptown line are 7.56. The five-cent division, so-called, which Mr. Eisen, with, I am afraid, characteristic—well, I won't characterize it—is a minor arrangement on a very minor part of the traffic; I think about five per cent of the traffic is affected by an interchange through Exchange Place. That involves, in

addition to the five-cent allowance made us on that traffic, the cession of certain rights of way, submarine and sub——

Judge Meaney: ——terrain.

Mr. Finerty: ——terrain rights—subterranean rights. It has no relevance to this case at all, as far as the major division is concerned, that is 7.56 cents, 7.64 cents, on the [fol. 421] downtown line. Now, with an 8-cent fare as a local fare, where you perform two terminal services, and on a joint fare you only perform one, the Pennsylvania Railroad has an excellent argument, I would have to admit even to them, that with a local fare of 8 cents, a division of 7.64 is not an unreasonably low division. We said that to the Commission. The Commission has recognized that, recites that in its review of the reasons for the order of June 8, 1943; and the Commission has interpreted what it meant by that suggestion that we look——

Judge Fake: May I interrupt you?

Mr. Finerty: Yes.

Judge Fake: Really, what right have we got to go into it anyway, here?

Mr. Finerty: Well, I wouldn't put it quite as bluntly as that, but that is really the case, Judge Fake. It is a matter wholly within the Commission's province. The Commission has said that we should conform to their directives, so-called; and if it is satisfactory to the Commission, if there is evidence to support it, I don't think it is the province of this Court to review that question. It is a red herring that has been in this case from the start, and I would be the first to admit that it has caused us a lot of trouble. But as [fol. 422] far as a ground for an injunction is concerned, it is simply absurd.

Now, I meant what I said at the start, and I mean what I say at the finish: that aside from that perfunctory reference that Mr. Eisen made to the allegations of the bill, that the orders of the Commission were without evidence to support them—not a word he said supported that allegation. On the contrary, the Commission's own orders bear on their face evidence to support them, and we have undertaken in our brief to set out, as I say, the evidence supporting those findings and orders, and there is evidence supporting them; and there being evidence to support them, in my opinion, and within the decision of this Court, in the former Hudson & Manhattan case, this injunction should be denied.

Judge McLaughlin: Is that all, Mr. Finerty?

Mr. Finerty: Thank you very much.

Judge McLaughlin: You people don't forget that those briefs, both Mr. Booth's and yours, Mr. Hershenstein, are to be in the hands of the Court by next Monday.

Mr. Hershenstein: Yes, sir.

Mr. Booth: I assume that applies also to the Railroad and the I.C.C.

Mr. Finerty: Of course.

[fol. 423] Mr. Booth: If they desire to file briefs. They haven't seen our briefs yet.

Judge McLaughlin: Well, we may as well clear it. Do you want to file some additional briefs?

Mr. Finerty: I would like the privilege.

Judge McLaughlin: All right. And will you see that Mr. Reidy has word on that?

Mr. Mulcahy: Yes, your Honor.

Mr. Finerty: Might I correct just one thing in the record?

Judge McLaughlin: Yes.

Mr. Finerty: The statement that in ex parte 148 the Commission set aside the 10 percent increase except on long hauls is not correct. It set it aside only on commutation fares, and having set it aside on commutation fares, it still held it a the measure of our fare on the uptown line, and said that under ex parte 148, that single trip fare still being in existence, our fare on the uptown line might well be 11 cents. That was the only use made of ex parte 148.

Judge McLaughlin: Anything else?

Mr. Hershenstein: Where shall we mail our briefs? To the Newark office?

Judge McLaughlin: Wait a minute, now.

Mr. Hershenstein: Wherever it is more convenient for [fol. 424] you.

Judge McLaughlin: Mail it to Newark. I will be sitting in Philadelphia, but I will get it down from here.

Mr. Hershenstein: Very good, sir.

Judge McLaughlin: All right. Is that everything?

Mr. Finerty: Yes. Thank you very much.

Mr. Booth: Thank you.

Judge McLaughlin: All right. Court is adjourned.

[fol. 425] IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY

CITY OF JERSEY CITY, Plaintiff, and FRED M. VINSON, Economic Stabilization Director, by Chester Bowles, Price Administrator, Intervener,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, and Hudson & Manhattan Railroad Company, Defendants

OPINION—Filed January 12, 1944

Before McLaughlin, Circuit Judge and Fake and Meaney, District Judges,

McLAUGHLIN, Circuit Judge:

In the case the plaintiff, City of Jersey City, New Jersey, and the intervener plaintiff, Fred M. Vinson, Economic Stabilization Director, prayed this Court to set aside, annul and perpetually enjoin, pursuant to Sections 41 (28) and 47 of the Judicial Code (Title 28 U. S. C.) the rate order issued by Interstate Commerce Commission on June 8, 1943 in a matter titled "Investigation and Suspension Docket No. 4394, Passenger Fares of Hudson & Manhattan Railroad Company" (255 I. C. C. 649), and a supplemental order issued therein on November 2, 1943 (256 I. C. C. —). The order of June 8, 1943 authorized the said carrier to increase the fare on its downtown line (extending from Jersey City and Hoboken, New Jersey to Hudson Terminal [fol. 426] in downtown New York City, New York) from eight to nine cents, for the duration of the war and six months thereafter, or until otherwise ordered by the Commission. The supplemental order of November 2, 1943 authorized the carrier, in lieu of the nine cent downtown fare, to charge a cash fare of ten cents or a token fare on a basis of eleven tokens for one dollar, upon establishing an identical fare on the carrier's uptown line; the present uptown fare being ten cents, without a token fare. On November 26, 1943, after a hearing, this Court issued an interlocutory injunction suspending the enforcement of said rate orders pending final hearing on the merits.

Full and Fair Hearing

At the outset we are confronted with the vitally important question of whether the plaintiff and intervener were given a full and fair hearing by the Commission. From the facts, the petition by the carrier to the Commission, was one for additional revenue. The orders of the Commission were based upon Section 15 (1) of the Interstate Commerce Commission statute which specifically provides for a full hearing. The United States Supreme Court in Interstate Commerce Commission vs. Louisville and Nashville Railroad Co., 227 U. S. 88; 33 Sup. Ct. Reports 185, stresses this. The Supreme Court said in that case at page 93:

> "The Commission is an administrative body and, even where it acts in a quasi-judicial capacity, is not limited by the strict rules, as to the admissibility of evidence, which prevail in suits between private parties. Int. Com. Comm. v. Baird, 194 U. S. 25. But the more liberal the practice in admitting testimony, the more imperative the obligation to preserve the essential rules of evidence by which rights are asserted or defended. In such cases the Commissioners cannot act [fol. 427] upon their own information as could jurors in primitive days. All parties must be fully apprised of the evidence submitted or to be considered, and must be given opportunity to cross-examine witnesses, to inspect documents and to offer evidence in explanation or rebuttal. In no other way can a party maintain its rights or make its defense. In no other way can it test the sufficiency of the facts to support the finding; for otherwise, even though it appeared that the order was without evidence, the manifest deficiency could always be explained on the theory that the Commission had before it extraneous, unknown but presumptively sufficient information to support the finding. United States v. Baltimore & Ohio S. W. R. R., 226 U. S. 14."

In the report and order of the Interstate Commerce Commission of June 8, 1943 appears the following:

> "Based on the foregoing facts and estimates, respondent points out that under present fares it would be necessary for its annual traffic to increase by about

30 percent over that of 1941 in order to meet the current interest requirements on its bonded indebtedness."

The same report and order also stated:

"It should be understood that if at any time prior to the expiration of that period, by reason of changed conditions or otherwise the revenue results to respondent should prove to be materially different from those estimated in this report, any party to this proceeding is of course at liberty to seek to bring the facts with respect thereto to our attention at a further hearing."

Following that order of June 8, 1943, the carrier filed a supplemental petition alleging inability to collect the allowed nine cent fare and asking for a token fare which amounted to nine and one-tenth cents and in the alternative, a ten cent cash fare. The intervener filed an answer to that supplemental petition asking that the Commission

" 'in view of petitioner's tremendously improved current earnings * *.' " to '*reconsider its previous modification of its original order and return petitioner's downtown fares to the original level of 8¢. This will serve the national program to keep down the cost of living.*' "

[fol. 428] Then followed the Interstate Commerce Commission order of August 3, 1943 which allowed the prayer of the supplemental petition of the carrier. Thereafter, the municipal plaintiff filed its bill of complaint in this Court with Fred M. Vinson, Economic Stabilization Director, intervening as a co-plaintiff. After that, the Interstate Commerce Commission, of its own motion, held a supplemental hearing which it confined solely to the practicability of the nine cent fare. At that hearing both the intervener plaintiff and the municipal plaintiff, attempted to present evidence relating to the 1943 earnings of the carrier for the purpose of showing that under such earnings no increase in fare whatsoever was justified. This offer was rejected by the examiner for the Commission. Both plaintiffs objected to such limitation of the scope of the hearing. In addition, cross-examination of a carrier witness by the plaintiffs as to a $240,000. charge for expenses alleged by the carrier and called War Damage Reserve, was refused

by the examiner although it was strenuously suggested that such item was no longer acceptable, at least for any such amount. Thereafter the intervener plaintiff petitioned the Commission to modify its order of September 18, 1943 which limited the scope of the further hearing and to permit testimony of the earnings of the carrier since the original closing of the record, alleging that the record as it then stood was stale and did not reflect the true picture. The municipal plaintiff informally joined in that application by letter. The Commission, in its opinion of November 3, 1943 said concerning the offer to submit evidence of the carrier's 1943 earnings:

> "Considering the contents of the motion now before us, and the offers of additional evidence made at the recent further hearing, we have no reason to believe that, if the additional hearing sought were held, we would feel [fol. 429] warranted in modifying our findings as made in the second report * * * the motion will therefore be overruled."

Obviously, from the above language, the Commission was not concerned with the technical niceties of the effort to present the desired testimony. It actually considered the proposed evidence and decided that, despite it, its decision should stand. The municipal plaintiff and the intervener, by that evidence, offered to show that the carrier's rise in business and net earnings had completely removed any reason for an increase over the eight cent fare. In refusing to consider such testimony which, under the terms of its tender went to the heart of the controversy, in our judgment the Commission did act arbitrarily and contrary to the mandate of its statute. As Mr. Chief Justice Hughes said in Atchison, Topeka & Santa Fe Railway Co. vs. United States, 284 U. S. 248, at page 262:

> "We think that this action was not within the permitted range of the Commission's discretion, but was a denial of right."

In that case, which seems very much in point here, the Court also said, speaking as to the function of the Interstate Commerce Commission in such circumstances, page 262:

> "In the discharge of its duty, a fair hearing is a fundamental requirement. Interstate Commerce Comm.

vs. Louisville & Nashville R. Co., 227 U. S. 88, 91. In the instant proceeding, the hearing accorded related to conditions which had been radically changed, and a hearing suitably requested, which would have permitted the presentation of evidence relating to existing conditions, was denied."

We do not see that the contentions raised by the defendants that the plaintiffs are estopped from questioning the validity of the orders of June 8, 1943 and November 2, 1943; and that the action is prematurely brought, are answers to the above. Starting with the intervener's answer [fol. 430] on July 19, 1943 to the carrier's supplemental petition, these plaintiffs have ever since that time, been specifically requesting the Commission to reconsider its increase in fare order, in view of the carrier's tremendously improved current earnings. The intervener did it formally in its answer above referred to. Both plaintiffs strenuously urged it at the supplemental hearing and thereafter by the petition above referred to in which the Commission was requested to broaden the scope of its supplemental hearing so as to include evidence as to the carrier's 1943 earnings. The Commission order of November 2, 1943 definitely decided that such new evidence would not be admitted. That order permitted the carrier to file and make effective the new tariffs on fifteen days notice. The Commission took the position that it was without power to further suspend the tariffs. In reality, therefore, both plaintiffs had exhausted their remedy before the Commission. In connection with this, the language of the order of June 8th above quoted, permitted any party of the proceeding to bring any changed conditions resulting in a different revenue situation to the attention of the Commission for a further hearing.

In passing, we do not see either under the I. C. C. statute or the relevant decisions that any request for rehearing is actually required prior to suit in this Court. In Baltimore & Ohio Railroad Co. vs. U. S., 298 U. S. 347, the United States Supreme Court held at page 371:

"No Act of Congress requires carriers, in advance of suit to set aside divisions or other orders, to petition the commission for rehearing, repeal or modification. Nor has Congress attempted to limit the time within

which the carrier may sue to enjoin enforcement of an order of the commission prescribing rates or divisions."

By the language of its order of November 2, 1943, the Commission indicates plainly that it had actually passed [fol. 431] upon and rejected the offer of the plaintiffs to present the 1943 earnings of the carrier in an effort to show that any increase in fare under the true present facts was not justified. In such situation the remedy of the plaintiffs before the Commission was exhausted; with the plaintiffs, if they wished to pursue the matter further, having no recourse but to come to this Court under the statute.

Economic Stabilization

We do not see that this phase of the case can be lightly brushed aside. Under present conditions, we doubt if its importance can be readily overestimated. Were these orders issued in violation of the national emergency policy of economic stabilization? The Commission said in its order of June 8, 1943:

> "It seems to us that an increase of 1 cent in respondent's downtown fare is unlikely to have any inflationary effect, and that the effect thereof upon the cost of living, while a factor to be given consideration, will be so slight, a maximum of about 12 cents a week and 52 cents a month per passenger, as to be negligible." (255 I. C. C. 649, 668.)

By that language, the Commission undoubtedly realized that the problem of inflation of the cost of living was involved in this particular rate increase. The Commission, without even considering the substantial proportionate increase as to the total fare, which amounts to approximately thirteen per cent, but simply having in mind the small amount in money the increase meant to each passenger taken alone, dismissed this phase of the matter as negligible. We do not see that there was ever any claim by the Director of Economic Stabilization that the raise in rates here by and of itself, would result directly in inflation. The gauge urged on behalf of Director Vinson was that set out in U. S. Gypsum Co. v. Brown, 137 F. 2d 360, where the United States Emergency Court of Appeals,

[fol. 432] speaking through Chief Judge Maris said at page 364:

> "'The mere fact that the increase is small and therefore will not bear too hardly upon either party to a sale is of no consequence. It is the cumulative effect of millions of small increases in prices and other costs throughout the economy which starts the inflationary spiral. See Lincoln Sav. Bank v. Brown, 137 F. 2d 228.'"

In the case of Philadelphia Coke Company vs. Chester Bowles, U. S. Emergency Court of Appeals, December 15, 1943, not yet officially reported, the Court said:

> "In a complicated economy such as ours the phenomena of price increases are the result of a complex of causes, the interaction of many economic forces. When inflationary pressure is one of the major forces operating in the economy it is wholly unrealistic to consider the price of a single commodity as in an economic vacuum and say that no threat of an inflationary increase can be discovered. Each commodity price must then be considered in the light of the fact that it forms an integral part of the whole price structure."

For the Interstate Commerce Commission to permit the Director to intervene is not enough under the relevant statutes, orders and directives with reference to price stabilization. It is, of course, true that the Price Administrator does not have the authority to regulate carrier rates nor is such authority claimed here by the intervener but it is apparent that the executive orders issued with reference to stabilization do furnish a basic guide for all government agencies concerned, including the Interstate Commerce Commission. The President's Executive Order No. 9250, issued October 3, 1942, reads in part:

> "The guidance policy of the Director and of all departments and agencies of the Government shall be to stabilize the cost of living in accordance with the Act of October 2, 1942;"

[fol. 433] The President's Order of April 8, 1943, No. 9328 reads:

> "The attention of all agencies of the Federal Government, and of all State and municipal authorities, con-

cerned with the rates of common carriers or other public utilities, is directed to the stabilization program of which this order is a part so that rate increases will be disapproved and rate reductions effected, consistently with the Act of October 2, 1942, and other applicable federal, state or municipal law, in order to keep down the cost of living and effectuate the purposes of the stabilization program.''.

It does seem from these that the Commission here is under a distinct duty in this particular case to give full effect to war time conditions and the stabilization legislation. It seems further, that in characterizing the allowed increase to this carrier as negligible and not directly causing inflation, that the Commission has failed to consider the dangerous, cumulative effect of the present allowed increase in connection with all the other cumulative sources of inflation, perhaps small in themselves, but tending collectively to defeat the vital policy of controlling inflation as indicated in the above referred to Executive Orders of the President and the Act of October 2, 1942.

In view of the conclusions we have reached, there is no necessity for discussing the other points raised by the plaintiff and intervener. A permanent injunction will issue against the Interstate Commerce Commission as to its orders of June 8, 1943 and November 2, 1943 with respect to the increase in fare on the carrier's downtown line as set out in said orders.

[fol. 434] DISSENTING OPINION

FAKE, District Judge, Dissenting:

This is not the first time the passenger rates of the Hudson & Manhattan Railroad Company have been considered by this court. The company filed a local passenger tariff to become effective September 1, 1937, providing for a ten cent fare on its downtown line. This led to protests and extended hearings resulting in the establishment of a rate of eight cents by the Commission, two members thereof dissenting because they believed the ten cent fare to be justified. Resort was then had to this court resulting in the sustaining of the eight cent rate so established. The opinion of this court on the subject is found in Hudson & Manhattan Railroad Company vs. U. S., 33 Fed. Supp. 495,

affirmed, 313 U. S. 98. Therefore, the issues now before us do not come without some knowledge of the prior record.

I agree with the prevailing opinion that the dispositive issues here arise on the question of arbitrary action by the Commission in refusing to receive and consider evidence offered by the Price Administrator and the City of Jersey City on September 28, 1943. An examination of the proffered evidence discloses on its face that it transcends the limitations placed on the receipt of evidence by the Commission in its reopening order of September 18, 1943.

In this connection it is found on looking back over the record that an eight cent fare as established in 1938 has continued in actual operation down to the present time. On June 27, 1942, the Railroad Company petitioned the Commission for a further hearing and again sought authority to charge ten cents on its downtown line. Replies were filed to this petition by the City of Jersey City and divers [fol. 435] others, and on July 13, 1942, the Commission issued an order opening the proceedings. Commencing on September 9, 1942, and running through September 19, 1942, hearings were held bearing upon the issues involved on the petition and replies. On September 17, 1942, the Price Administrator entered an appearance on the record, and reserved the right to be heard and to file a brief. His representative was then asked whether he desired to introduce any evidence and his answer was "Not at this time". On November 13, 1942, the Commission issued an order permitting the Price Administrator to intervene. Sometime during January or February, 1943, a proposed report by the Commission was issued.

On March 8, 1943, exceptions to the proposed report were filed by the Price Administrator and also by the City of Jersey City and six other municipalities and divers bus lines. On March 18, 1943, the Railroad Company filed a reply to the exceptions. On April 20, 1943, a stipulation to supplement and bring the record up to date was filed showing the total patronage and revenue of the Railroad Company for the months of January and February, 1943, and on that date oral argument covering all the issues then pending took place before the Commission. On June 8, 1943, the Commission filed a report and order establishing a nine cent fare on the downtown line, three of the Commissioners however maintaining the view that a flat fare of ten cents was reasonable.

On July 8, 1943, the Railroad Company filed a petition for reconsideration and modification of the Commission's order of June 8, 1943, on the ground that mechanical difficulties prevented its operation. On July 14, 1943, the City of Jersey City, et als., filed a reply to the Railroad Company's petition. On July 19, 1943, the Price Administrator [fol. 436] filed a reply.

The petition of the Railroad Company last above mentioned and the replies thereto raised certain issues bearing on difficulties confronting the Railroad Company in the matter of the collection of the nine cent fare, and the Commission found that by reason of the peculiar construction and operation of the mechanical fare-collecting devices, nine cents, however divided, could not be received and properly counted in these devices; that other means of collecting that sum were impractical because in each instance they would result in unreasonable expense to the Railroad Company and involve serious delays in the discharge of its passengers. The evidence shows clearly that speedy discharge of passengers is of prime importance because the schedules of the connecting railroads are arranged to prevent traffic congestion. For these, and other reasons, the Commission entered its order of August 3, 1943, modifying its order of June 8, 1943, permitting a fare of one dime or the use of eleven tokens at $1.00 for eleven rides on both the uptown and downtown lines. This afforded the uptown passengers a fare of 9-1/11¢ where under the prior order of June 8, 1943, they were to pay ten cents and would cause the downtown passengers to pay 9-1/11¢ where under the prior order they were to pay nine cents. In this connection it seems to me the Commission functioned fully within its lawful sphere of action, and down to this point I am not able to find even the slightest question of arbitrary action. There was ample evidence before the Commission to bring their action within the rule laid down by the decision of the United States Supreme Court above cited, and in this connection it was not then and is not now within the province of this court to weigh the testimony and form a conclusion [fol. 437] in conflict with the Commission's findings of fact. The Commission must be sustained whenever it appears that "there was evidence to support the Commission's findings". Such were the words of the Supreme Court.

On September 13, 1943, the City of Jersey City filed its complaint in this court and the Price Administrator was subsequently permitted to intervene in this action.

On September 18, 1943, the Commission entered its order reopening the proceedings, limiting the same as follows: "for further hearing to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modifications made by the Commission in its report of August 3, 1943 * * * that at such further hearing any party hereto shall have the right to cross-examine adverse witnesses, and, upon the conclusion of such hearing, any party so desiring may make oral argument before the examiner, but no further briefs shall be submitted, nor shall a proposed report be issued, nor shall there be further argument before the Commission." All of which clearly discloses the intent of the Commission to consider all issues closed save only the one specifically referred to.

Thereafter on September 28, 1943, and of course after the institution of the suit here, the representatives of the City of Jersey City and of the Price Administrator attempted to introduce evidence bearing upon the earnings of the carrier for the first six months of the year 1943, for the purpose of showing that there was no justification for the increased fare allowed either under the order of June 8, 1943, or the order of August 3, 1943, and that the action of the Commission was inflationary. Also it was sought to cross-examine witnesses who had appeared at prior hearings and testified in relation to a $240,000 charge made by [fol. 438] the Railroad Company for war damage reserve. It is my view that when by stipulation as hereinbefore appears, evidence was introduced bearing upon the earnings for the months of January and February, 1943, this made the evidence reasonably current and timely. However, here the Commission functioned with open eyes within their discretionary powers and this court cannot usurp their functions on the question of reasonable time as applied to the timeliness of the record. Rate making is a highly specialized art. The Commissioners had evidence on the subject before them and listened to arguments on that point and we should not substitute our judgment for their's. Prior to June 8, 1943, the Commission had full opportunity for the introduction of evidence and arguments were heard bearing upon the $240,000 item. As to the proffered new

evidence, the Commission said in its report of November 2, 1943, "* * * we have no reason to believe that, if the additional hearing sought were held, we would feel warranted in modifying our findings as made in the second report."

Of course the flow of economic change never stops—always and forever the comings and goings and doings of man have their effect in preventing a static period at which time the Commission might stop and make a decision. Always the point of termination must be fixed in the midst of fluctuations in the economic factors involved. It is my view that this court should not enter the province of the Commission in considering the subject of inflation. They were charged with the duty of passing on it by reason of the executive order on that subject and dealing as they do from day to day with economic factors, they constantly are kept advised in that field, and I believe their action here resulted from close attention to all the factors involved [fol. 439] including inflation.

A careful study of the record convinces me that there was ample evidence to sustain the validity of each of the rulings made by the Commission herein and I am therefore unable to concur in the prevailing opinion.

[fol. 440] IN THE UNITED STATES DISTRICT COURT

[Title omitted]

Findings of Fact and Conclusions of Law—Filed January 12, 1944

Before McLaughlin, Circuit Judge and Fake and Meaney, District Judges.

FINDINGS OF FACT

1. This action was brought by the City of Jersey City, New Jersey and Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator, against the United States of America, Interstate Commerce Commission and Hudson & Manhattan Railroad Company, for the purpose of setting aside, annulling and perpetually enjoining, pursuant to Sections 41 (28) and 47 of the Judicial Code (Title 28 U. S. C.), the rate order issued by Interstate Commerce Commission of June 8, 1943 in a matter

titled "Investigation and Suspension Docket No. 4394, Passenger Fares of Hudson & Manhattan Railroad Company" (225 I. C. C. 649) and a supplemental order issued [fol. 441] therein on November 2, 1943 (256 I. C. C. ——).

2. Plaintiff is a municipal corporation in the County of Hudson, State of New Jersey and is a body politic.

3. The intervener plaintiff is the agency designated by the President to receive notice of any increase in the rates or charges of common carriers or other public utilities, pursuant to the Emergency Price Control Act of January 30, 1942, as amended October 2, 1942 (Public Laws 421 and 729, 77th Congress, 2nd Session); with authority to intervene and participate in proceedings before Federal, State and municipal authorities in connection with proposed increases in such rates and charges.

4. The defendant, United States of America, is sued pursuant to express authority of the Congress of the United States, as provided in Sections 43 to 48 of Title 28 of the United States Code.

5. The defendant, Interstate Commerce Commission, is an administrative commission existing under and by virtue of the Interstate Commerce Act, United States Code, Title 49, and is specifically charged with the administration and enforcement of the provisions of said Act.

6. The defendant, Hudson & Manhattan Railroad Company, is a consolidated corporation organized and existing under and pursuant to the laws of the States of New York and New Jersey, having a residence and its statutory office in the District of New Jersey.

7. The matters covered by the aforesaid orders of the Commission relate to transportation and arose in part in the District of New Jersey. This Court has jurisdiction.

[fol. 442] 8. Defendant, Hudson & Manhattan Railroad Company is a common carrier by railroad engaged in the transportation of passengers in interstate commerce, and is subject to the provisions of the Interstate Commerce Act, United States Code, Title 49, Chapter I, part I. It transports no baggage, freight or express matters.

9. The defendant, Hudson & Manhattan Railroad's property consists of an underground rapid transit passenger

railway, operated exclusively by electric power of the three rail type, and furnishing transportation facilities between points in Jersey City and Hoboken, New Jersey and downtown and uptown New York City. On its downtown line, this defendant's trains operate between (a) the Jersey City, New Jersey stations of Exchange Place, Grove and Henderson Streets and Journal Square, and said defendant's downtown terminal at Hudson Terminal, New York City and (b) between the Jersey City, New Jersey stations at Exchange Place and Erie Station and Hoboken, New Jersey and the said downtown terminal at Hudson Terminal. On its uptown line the trains operate (a) between the Hoboken, New Jersey station and the uptown New York City stations of Christopher Street, 9th Street, 14th Street, 19th Street, 23rd Street and 33rd Street and (b) between the Jersey City, New Jersey stations of Journal Square, Grove and Henderson Streets and Erie Station and the said uptown New York City stations located at Christopher Street, 9th Street, 14th Street, 19th Street, 23rd Street and 33rd Street.

10. The defendant railroad also operates, in conjunction with the Pennsylvania Railroad, a joint rapid transit electric train service between its downtown terminal at Hudson Terminal, New York and the station of the Pennsylvania [fol. 443] Railroad at Market Street, Newark, New Jersey. The trains in this joint service operate over the lines of the defendant railroad between its downtown terminal, Hudson Terminal at New York City and the Journal Square Station, Jersey City and from that point over a line owned by the Pennsylvania Railroad to the latter's station at Market Street, Newark, New Jersey.

11. On July 31, 1937, the railroad issued, published and filed, with the Commission, its local passenger tariff designated as I. C. C. No. 42, to become effective September 1, 1937, providing for the establishment of a fare of ten cents for the interstate transportation of passengers on the railroad's downtown line as aforesaid, in lieu of a fare of six cents previously published and maintained in force and effect. Said tariff provided for no changes in the fare then in effect for interstate transportation on the uptown line previously and then established at ten cents.

As a result of protests filed by plaintiff, Jersey City, and others in New Jersey, the effectiveness of the aforesaid

tariff was suspended and the lawfulness of the proposed increase in the downtown fare was made the subject matter of a proceeding instituted by the Interstate Commerce Commission in Investigation and Suspension Docket No. 4394.

12. After due hearing the Commission on July 11, 1938, found, 227 I. C. C. 741, that the proposed increase from six cents to ten cents in the passenger fare maintained by the railroad on its downtown line had not been justified, but that an eight cent fare had been justified. A fare of eight cents on the downtown line became effective July 25, 1938, and has since been maintained. The Commission in its original report and order, 227 I. C. C. 741, found:

[fol. 444] (1) "From the standpoint of the cost of the service to respondent, therefore, as well as of the value of the service to the passenger, it would seem that if ten cents is a maximum reasonable fare for the uptown service, the reasonable fare for the downtown service must be something less than ten cents." 227 I. C. C. 741, 754.

(2) "If the respondent should feel impelled to seek a further increase in revenue it should consider doing so on interline traffic." 227 I. C. C. 741, 762.

(3) "The proposed fare of ten cents would be unreasonable under the Act and has not been justified." 227 I. C. C. 741, 762.

13. Following the promulgation of the report and order of July 11, 1938, 227 I. C. C. 741, as aforesaid, the railroad company appealed to the courts to enjoin the same. It filed its bill in the Southern District of New York seeking to enjoin the order of the Commission, but said action was dismissed by the District Court of the Southern District of New York because of improper venue, the court holding that proper venue was in the District of New Jersey, Hudson & M. R. Co. vs. U. S., 28 Fed. Supp. 137. Thereupon the railroad company filed its bill in the United States District Court for the District of New Jersey. The order of the Commission accompanying the original report was upheld by the United States District Court for the District of New Jersey, Hudson & M. R. C. v. United States, 33 Fed. Supp. 495, which was affirmed by the Supreme Court, Hudson & Manhattan R. Co. v. U. S., 313 U. S. 98.

14. Upon petition of the defendant railroad of July 27, 1942, for further hearing and for leave to publish and charge a ten cent fare on its downtown line by reason of alleged changed conditions, the proceeding was reopened for further hearing by the Interstate Commerce Commission. On November 9, 1942, notice was served upon the plaintiff inter- [fol. 445] vener of such proceeding and his timely intervention in such proceeding was consented to. Such further hearing was held and as a result thereof the Commission issued its decision on June 8, 1943, 255 I. C. C. 649, affirming its original conclusion that the proposed fare of ten cents would be unjust and unreasonable and has not been justified. The Commission further concluded that an increased local fare of nine cents on the railroad's downtown line had been justified for application during the remaining period of the war and six months after its termination.

15. In promulgating its report and order of June 8, 1943, as aforesaid, the Commission made the following specific findings:

(1) "That under normal circumstances the saturation point in increased fares (referring to the eight-cent fare) on that traffic (downtown) has about been reached."

(2) "If respondent (railroad) had availed itself of the authority granted by our order of January 21, 1942, in Increased Railway Rates, Fares and Charges, 1942, supra, the downtown fare would now be nine cents. An increase to that amount would be consistent with that decision."

(3) "While there can be little doubt that under present conditions further increase in this (eight-cent) fare, even to ten cents, would result in additional net revenue, we are convinced that it would be unreasonable to expect the entire burden of the revenue increase to be borne by the downtown local passengers, and that a substantial portion thereof should be sought through increased divisions on the interline traffic."

(4) "Moreover, while the fares and charges for commutation service of carriers serving the New York metropolitan area are not uniform, those of carriers other than respondent portrayed on this record afford

stronger support, differences in transportation services considered, for either an eight-cent or a nine-cent fare than for a ten-cent fare on the downtown line of respondent."

[fol. 446] 16. The railroad on July 8, 1943, filed a petition for reconsideration and modification of the findings made by the Commission in its report on further hearing, dated June 8, 1943. That petition sought, through the medium of an affidavit attached thereto and made a part thereof, to secure modification of the Commission's order because of an alleged disability on the part of the railroad to collect the nine-cent fare on the downtown line with its available fare collection system. By this petition the railroad sought, pending the procurement of tokens which were to be sold at eleven for one dollar with an alternative cash fare of one dime, that it be authorized to charge, on the downtown line, a cash fare of ten cents. Such cash fare of ten cents was to continue in effect indefinitely until necessary tokens were acquired and alterations were made in the fare-collection boxes. In connection therewith, the railroad proposed that if its request were granted it would reduce the fare on the uptown line from ten cents per passenger to eleven tokens for one dollar, with an alternative cash fare payable only by a dime.

17. The plaintiff, Jersey City, on July 14, 1943, answered the railroad's petition and in requesting denial thereof prayed that if any affirmative action be taken by the Commission, the proceeding be set for further hearing to give all parties their requisite day in Court on the new matters therein alleged and thereby afford the plaintiff its right of cross examination. The plaintiff intervener filed his answer to the railroad's supplemental petition on July 19, 1943. He opposed the proposed modification in rates on the ground that such modification would result in additional inflation, and he requested that the Commission reconsider its June 8th order and restore the downtown fare [fol. 447] to the eight-cent level, stating:

"In view of Petitioner's tremendously improved current earnings, it is requested that this Commission reconsider its previous modification of its original order, and return petitioner's downtown fares to the

original level of 8 cents. This will serve the national program to keep down the cost of living."

18. On August 3, 1943, upon the facts as aforesaid, without according the plaintiffs further hearing, the Commission issued its report on reconsideration. Such report affirmed the prior conclusion that the proposed fare of ten cents had not been justified for general application on the downtown line but permitted an increased local fare on the downtown line based on the alternative basis of eleven tokens for one dollar or a cash fare of ten cents, payable by a dime. Such permissive increase was coupled with the proviso that contemporaneously with the establishment and maintenance of the increased downtown fare the same alternative basis, namely, eleven tokens for one dollar or a cash fare of ten cents, payable by a dime, be established and maintained on interstate traffic on the uptown line.

19. In so providing for increased fares on the down town line whereby the regular patron or so-called commutation passenger would be required to pay nine and one-eleventh cents per ride, and the occasional rider ten cents per ride in lieu of the nine-cent fare theretofore found to be the reasonable maximum figure, the Commission in its report and order of August 3, 1943, stated:

> "The proposed alternative basis will not increase to any material extent the relative transportation burden of the local commuters on the downtown line beyond that anticipated by our authority as granted in the prior report. We there found that it would be unreasonable to expect the entire burden of the revenue increase to which respondent is entitled to be borne by the downtown local passengers, and that a substantial [fol. 448] portion thereof, for the reasons herein stated, should be sought through increased divisions on the traffic interchanged with the Pennsylvania Railroad Company. In its petition respondent states that it will undertake to seek promptly such increased divisions on that traffic as shall be adequate."

In the original report and order of the Commission made July 11, 1938, 227 I. C. C. 471, the Commission found that if the railroad "should feel impelled to seek a further increase in revenue (over and above an eight-cent downtown

fare therein prescribed) it should consider doing so on interline traffic." The Commission's decision containing such admonition was upheld by the District Court for the District of New Jersey, Hudson & M. R. Co. v. U. S., supra, and affirmed by the Supreme Court of the United States, Hudson & Manhattan R. Co. v. U. S., supra. A similar directive to the railroad to increase its revenue through an adjustment of its interline division with the Pennsylvania Railroad appeared in the Commission's report and order of June 8, 1943, 255 I. C. C. 649 and again in its report and order of August 3, 1943.

20. On September 13, 1943, the City of Jersey City filed a complaint in the United States District Court for the District of New Jersey, having for its purpose the enjoining of the report and order of August 3, 1943. Application was made, upon filing said bill, for a temporary restraint against putting into effect said order and a statutory court was duly established to hear said application.

21. On its own motion, by order dated September 18, 1943, and prior to hearing of the application for a temporary restraint, the Interstate Commerce Commission reopened the instant proceeding for further hearing "to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modifications made by [fol. 449] the Commission in its report of August 3, 1943, on further consideration of its prior findings and orders of July 11, 1938, and June 8, 1943," and to afford "any party hereto * * * the right to cross examine adverse witnesses."

22. Both the plaintiff and the intervener plaintiff excepted to the restrictions and limitations imposed by the Commission's aforesaid order for supplemental hearing, insisting at the start of the hearing and repeatedly throughout the proceeding, that the hearing be broad enough to include evidence of the defendant railroad's revenues, expenses and earnings since the closing of the original hearing in the matter. Both plaintiffs excepted to the interpretation given by the trial examiner to the Commission's order of September 18th re-opening hearing in that he refused to receive any testimony with respect to the railroad's revenue except testimony confined strictly to the difference in revenue resulting from the authorized cash fare and the

combination cash and token fare. Both plaintiffs endeavored to submit proof that the railroad's patronage had been increased by amount in excess of thirty percent in 1943 over 1941 and that no additional revenue was necessary or could be properly allowed in excess of the existing eight cent local downtown fare. This proffer was in accord with the decision of the Commission of June 8, 1943 reading:

> "Under present fares (eight cents on the local downtown line and ten cents on the uptown line) it would be necessary for its annual traffic to increase by about thirty per cent over that of 1941 in order to meet the current interest requirements on its bonded indebtedness."

That same order also stated:

> "It should be understood that if at any time prior to the expiration of that period, by reason of changed conditions or otherwise, the revenue results to respond-
> [fol. 450] ent should prove to be materially different from those estimated in this report, any party to this proceeding is of course at liberty to seek to bring the facts with respect thereto to our attention at a further hearing."

23. At that hearing of September 18, 1943, both plaintiffs sought to introduce in evidence a "Condensed Income Statement" of the defendant railroad covering the months of July 1942 and July 1943 and the first seven months of 1942 and 1943 respectively. That exhibit was excluded from the record. It was contended it showed the repeatedly improving financial position of the railroad even after all of its alleged operating expenses and that at the existing eight cent fare the railroad is earning more than the Commission anticipated it would at the nine cent fare in its order of June 8, 1943. The contention was further made that the offered exhibit showed that an alleged expense of $20,000 a month of the carrier for self insurance cost was entirely unwarranted and should be eliminated and if it were, that the defendant railroad would earn at the existing eight cent fare far in excess of all interest charges, a condition not anticipated at the nine cent fare, by the Commission in said order.

24. Thereafter, on October 14, 1943, the intervener plaintiff filed with the Commission, a written motion for modification and amendment of its said order of September 18, 1943. In that motion, the municipal plaintiff joined by letter. The motion was based on the restrictive scope of the supplemental hearing of September 18, 1943 and requested the re-opening of the proceeding to permit the plaintiffs to introduce the evidence excluded by the examiner and such additional evidence as might be necessary in order to bring the record alleged to be obsolete and stale, down to date.

[fol. 451] 25. That motion was overruled by the Commission in its "Second Report on Further Hearing issued November 2, 1943, wherein the Commission granted the petition of the Railroad to substitute token and cash fares on its downtown and uptown lines in lieu of theretofore authorized cash fares.

26. The Commission in its opinion of November 2, 1943 said concerning the offer to submit evidence of the carrier's 1943 earnings:

> "Considering the contents of the motion now before us, and the offers of additional evidence made at the recent further hearing, we have no reason to believe that, if the additional hearing sought were held, we would feel warranted in modifying our findings as made in the second report * * * the motion will therefore be overruled."

27. The order of the Commission of November 2, 1943 permitted the railroad to file and make effective the new tariffs on fifteen days notice.

28. With reference to the economic stabilization and inflation branch of this case, the Commission in its order of June 8, 1943, which increased the downtown fare cash from eight cents to nine cents said:

> "It seems to us that an increase of 1 cent in respondent's downtown fare is unlikely to have any inflationary effect, and that the effect thereof upon the cost of living, while a factor to be given consideration, will be so slight, a maximum of about 12 cents a week and 52 cents a month per passenger, as to be negligible." (255 I. C. C. 649, 668.)

29. On November 18, 1943 an amended complaint was filed in this cause by the plaintiff, City of Jersey City, Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator, intervened as a plaintiff by petition. The above facts were referred to in the amended complaint and the intervener's petition. The [fol. 452] amended complaint of the plaintiff, City of Jersey City, prayed that upon final hearing of this cause that this Court order, adjudge and decree that the orders of the Commission dated June 8, 1943 and November 2, 1943, insofar as such orders permit the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line of the defendant, Hudson & Manhattan Railroad Company, is, and at all times has been, beyond the lawful authority of said Commission, and wholly null and void; and that said orders be perpetually set aside and annulled and the enforcement thereof perpetually enjoined.

Prayer was also had for a temporary injunction and restraint enjoining the defendants from so much of said orders of June 8, 1943 and November 2, 1943 as permits the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line of the Hudson & Manhattan Railroad Company. The intervener plaintiff prayed that pending the final hearing of this cause, the Court issue an interlocutory and permanent injunction and restraint enjoining the defendants from so much of said orders of June 8 and November 2, 1943, as permits the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line of the Hudson & Manhattan Railroad Company. The intervener also prayed that upon final hearing this Court adjudge, order and decree that said orders of June 8 and November 2, 1943, insofar as they permit the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line of the Hudson & Manhattan Railroad Company, are, and have at all times been, in violation of the Stabilization Act of October 2, 1943 enacted by the Congress; and said orders are [fol. 453] and have at all times been, beyond the lawful authority of said Commission and wholly null and void; and that said orders be perpetually set aside and annulled and the enforcement thereof perpetually enjoined.

30. The defendant, United States of America, filed a neutral answer. The defendants, Interstate Commerce Commission, and Hudson & Manhattan Railroad Company, filed their respective answers to the amended complaints and the intervener's petition. Said answers in substance admitted the making of the orders of the Commission of June 8, 1943 and November 2, 1943; denied that the plaintiffs were not allowed a full and fair hearing, denied that said orders failed to give effect to the stabilization program and the efforts of the national government to cut down the cost of living and alleged that said orders were made after full hearing and consideration of proofs and arguments of all parties and that they are fully supported by the evidence before the Commission and by the Commission's findings based on such evidence. In addition, the defendant railroad in its answer and the defendant, Interstate Commerce Commission in its amended answer, alleged that the relief sought by the plaintiffs is premature, saying that neither of the plaintiffs have exhausted the administrative remedies provided in cases of this kind and further, that both the plaintiffs are estopped from now questioning the reasonableness of the nine cent fare found reasonable by the Commission's report of June 8, 1943. They allege that the estoppel arises because neither of the plaintiffs has ever filed a petition with the Commission asking reargument or reconsideration of the order of June 8, 1943 although "Rule 101 of the General Rules and Practice of the Commission specifically provides for such petitions in connection with any decision or order of the Commission."

[fol. 454] 31. Following hearing on the application for an interlocutory injunction on November 26, 1943, this Court issued its findings and order restraining and enjoining the defendants, pending final hearing in this proceeding, from putting into effect the report and orders of the Interstate Commerce Commission of June 8, 1943 and of November 2, 1943 insofar as such orders permit the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line of the defendant, Hudson & Manhattan Railroad Company.

32. Final hearing was had in this cause on December 14, 1943.

[fol. 455] CONCLUSIONS OF LAW

1. Both the plaintiff, Jersey City, and the intervener plaintiff, Director of the Office of Economic Stabilization, are proper parties to bring and maintain this proceeding as plaintiffs herein.

2. The petition by the defendant carrier, Hudson & Manhattan Railroad Company, to the Interstate Commerce Commission of July 27, 1942 asking for a ten cent fare on its downtown line, was one for additional revenue and the orders of the Commission of June 8, 1943 and November 2, 1943 were based upon Section 15 (1) of the Interstate Commerce Commission statute which specifically provides for a full hearing.

3. Both the plaintiff, City of Jersey City, and the intervener plaintiff, Director of the Office of Economic Stabilization, properly appeared as protesting parties before the Interstate Commerce Commission and were and are entitled to a full and fair hearing by that Commission.

4. Both the plaintiff and the plaintiff intervener, were denied a full and fair hearing in that they were deprived of the right to cross-examine witnesses and to present testimony on matters which have a substantial bearing upon the right of the Hudson & Manhattan Railroad Company to fares higher than fares charged on September 15, 1942.

5. That the Commission's said orders of June 8, 1943 and November 2, 1943 authorizing increases in fares failed to give effect to the economic stabilization program and efforts of the national government to keep down the cost [fol. 456] of living, particularly in that the Commission erroneously assumed that said increases would not have any effect on the program to keep down the cost of living.

6. That both the plaintiff and the intervener plaintiff exhausted their administrative remedies before instituting this proceeding.

7. That the plaintiff, City of Jersey City, and the intervener plaintiff, Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator, are entitled to the setting aside and annulling of said orders of

June 8, 1943 and November 2, 1943 and to a perpetual injunction against their enforcement insofar as they permit the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line of said defendant, Hudson & Manhattan Railroad Company.

8. That the plaintiff, City of Jersey City, and intervener plaintiff, Fred M. Vinson, Economic Stabilization Director, are not estopped from questioning the validity of the nine cent fare on the downtown line of the defendant, Hudson & Manhattan Railroad as authorized in the Commission's order of June 8, 1943 or the further increases in said downtown fare authorized by the Commission's order of November 2, 1943.

A decree shall be entered herein accordingly.

—— ——, United States Circuit Judge; —— ——, United States District Judge.

Newark, New Jersey, January 12, 1944.

[fol. 457] IN THE UNITED STATES DISTRICT COURT

CITY OF JERSEY CITY, Plaintiff,

and

FRED M. VINSON, Economic Stabilization Director, by Chester Bowles, Price Administrator, Intervenor-Plaintiff,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION and HUDSON & MANHATTAN RAILROAD COMPANY, Defendants.

FINAL DECREE GRANTING PERMANENT INJUNCTION—January 14, 1944

This action coming on to be heard upon final hearing before a statutory court consisting of Honorable Gerald McLaughlin, Judge of the Circuit Court, and Honorable Guy L. Fake and Honorable Thomas F. Meaney, Judges of the District Court, in which action an amended complaint was filed by the City of Jersey City as plaintiff, against the United States of America, Interstate Commerce Commis-

sion and Hudson & Manhattan Railroad Company, defendants, for the purpose of setting aside, annulling, and perpetually enjoining, pursuant to Sections 41 (28) and 47 of the Judicial Code (Title 28, U. S. C.), the rate order issued by Interstate Commerce Commission of June 8, 1943, in a matter titled "Investigation and Suspension Docket No. 4394, Passenger Fares of Hudson & Manhattan Railroad Company" (255 I. C. C. 649) and a supplemental order issued therein on November 2, 1943 (256 I. C. C. —), in which action Fred M. Vinson, Director of the Office of Economic [fol. 458] Stabilization, by Chester Bowles, Price Administrator of the Office of Price Administration, intervened, and filed his complaint as intervener plaintiff, in the presence of Charles Hershenstein, Charles A. Rooney, and S. S. Eisen, appearing for the plaintiff, City of Jersey City; Harry R. Booth, appearing for Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator, intervener-plaintiff; John F. Finerty and John Buck, appearing for the Hudson & Manhattan Railroad Company, and E. M. Reidy, appearing for the Interstate Commerce Commission, defendants, and the court having examined the pleadings and the record before the Commission and having taken proofs orally in open court and having heard and considered the oral arguments of counsel and the briefs filed, from which good and sufficient cause appears that the City of Jersey City, plaintiff, and Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator of the Office of Price Administration, intervener-plaintiff are entitled to the relief prayed for, to wit, the setting aside and annulling of said orders of June 8, 1943 and November 2, 1943, and to a perpetual injunction against enforcement so far as they permit the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line of said defendant, Hudson & Manhattan Railroad Company; and the Court having filed its opinion and findings of fact and conclusions of law; and upon all the pleadings and proceedings heretofore had herein;

It is, on this 14th day of January, 1944, *Ordered, Adjudged* and *Decreed*, that the rate order issued by Inter-state Commerce Commission of June 8, 1943, in a matter [fols. 459-463] entitled "Investigation and Suspension Docket No. 4394, Passenger Fares of Hudson & Manhattan

Railroad Company" (255 I. C. C. 649) and a supplemental order issued therein on November 2, 1943 (256 I. C. C. —), so far as said orders permit the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line of the said defendant, Hudson & Manhattan Railroad Company, are hereby set aside, annulled, and perpetually enjoined, pursuant to Sections 41(28) and 47 of the Judicial Code (Title 28 U. S. C.); and

It is *Further Ordered, Adjudged* and *Decreed,* that the defendants, United States of America, Interstate Commerce Commission and Hudson & Manhattan Railroad Company, their agents, representatives, employees and servants, be and they hereby are permanently enjoined and restrained from enforcing and putting into force and effect said orders of the Interstate Commerce Commission bearing date June 8, 1943 and November 2, 1943, hereinabove more particularly referred to, so far as said orders permit the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line of said defendant, Hudson & Manhattan Railroad Company; and

It is further *Ordered, Adjudged* and *Decreed,* that the proceedings are hereby remanded to the Interstate Commerce Commission for further hearing and reconsideration in accordance with the views expressed in the opinion of the court filed herein.

Gerald McLaughlin, United States Circuit Court Judge; Thomas J. Meaney, United States District Court Judge.

[fol. 464] In the District Court of the United States

[Title omitted]

Petition for Appeal—Filed February 9, 1944

To the Honorable the Judge Above-named:

The above-named defendants, Interstate Commerce Commission and Hudson & Manhattan Railroad Company, considering themselves aggrieved by the final decree made and entered in the above-entitled cause on January 14, 1944, do hereby appeal therefrom to the Supreme Court of the United States for the reasons set forth in the Assignment of Errors filed herewith and on the basis of the Supreme

Court's jurisdiction upon appeal to review said order and decree as shown in the Jurisdictional Statement also filed herewith, and pray that said appeal be allowed; that a proper order be made relating to the appeal bond to be [fol. 465] given by defendant Hudson & Manhattan Railroad Company; that a citation be issued as provided by law; and that a transcript of the record, proceedings and papers (or, so far as the Court may direct, the original record in lieu of such transcript) upon which said decree is based, duly authenticated, be sent to the Supreme Court of the United States in accordance with the rules in such case provided.

Dated, February 9, 1944.

Daniel W. Knowlton, Chief Counsel; E. M. Reidy, Assistant Chief Counsel (For the Interstate Commerce Commission). James B. Emory, Collins & Corbin, John E. Buck, Thomas A. Halleran, John F. Finerty (For Hudson & Manhattan Railroad Company).

[fol. 466] IN THE DISTRICT COURT OF THE UNITED STATES

[Title omitted]

ASSIGNMENT OF ERRORS—Filed February 9, 1944

Interstate Commerce Commission and Hudson & Manhattan Railroad Company, defendants in the above-entitled cause, file the following assignment of errors with and as part of their petition for appeal to the Supreme Court of the United States from the final decree of the District Court entered January 14, 1944, setting aside, annulling and perpetually enjoining the orders of the Interstate Commerce Commission of June 8, 1943, and November 2, 1943, in "Investigation and Suspension Docket No. 4394, Passenger Fares of Hudson & Manhattan Railroad Company", so far as said orders permit the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line of the defendant, Hudson & Manhattan [fol. 467] Railroad Company, and further ordering and decreeing that such proceedings be remanded to the Interstate Commerce Commission for further hearing and reconsideration in accordance with the views expressed in the opinion of the District Court.

Defendants assert that the District Court, in its decree, findings of fact and conclusions of law, erred in the following respects:

I. The Court erred in setting aside, annulling and perpetually enjoining said orders of the Interstate Commerce Commission and each of them.

II. The Court erred in not dismissing the amended complaint of the plaintiff, City of Jersey City, and in not denying the relief asked in such complaint.

III. The Court erred in not dismissing the intervening petition of the intervenor, and in not denying the relief asked in such intervening petition.

IV. The Court erred in remanding the proceedings to the Interstate Commerce Commission for further hearing and reconsideration in accordance with the views expressed in the opinion of the Court.

V. The Court erred in refusing to set aside, annul and enjoin said orders of the Interstate Commerce Commission and each of them on the ground that said orders and each of them were based on adequate findings by the Commission supported by substantial evidence before the Commission.

VI. The Court erred in setting aside, annulling and enjoining said orders of the Interstate Commerce Commission and each of them in the absence of any finding by the Court that said orders and each of them were not based on adequate findings by the Interstate Commerce Commission and were without any evidence before the Commission to support them.

[fol. 468] VII. The Court erred in holding as a conclusion of law that

> "1. Both the plaintiff, Jersey City, and the intervenor plaintiff, Director of the Office of Economic Stabilization, are proper parties to bring and maintain this proceeding as plaintiffs herein."

VIII. The Court erred in failing to hold as a conclusion of law that the plaintiff is not a proper party to bring and maintain this proceeding, being estopped so to do, and that the intervenor is not a proper party to bring and maintain

this proceeding, being likewise estopped so to do and being without such interests in said orders of the Interstate Commerce Commission as entitle him as a plaintiff intervenor to maintain this proceeding.

IX. The Court erred in failing to hold as a conclusion of law that the interest of the intervenor in these proceedings, both before the Interstate Commerce Commission and before the District Court, is limited to the question whether such increased fares as were authorized by said orders of the Commission would result in inflation or increased cost of living in contravention of the provisions of the Emergency Price Control Act of 1942 (Act Jan. 30, 1942, Title 50 U. S. C. A., Sec. 901 et seq.) and of the Inflation Control Act of 1942 (Act Oct. 2, 1942, Title 50 U. S. C. A., Sec. 961 et seq.) and that said intervenor has no legal interest in the question whether such increased fares were reasonable or otherwise lawful under the Interstate Commerce Act unless they contravened said Emergency Price Control Act and said Inflation Control Act

X. The Court erred in failing to hold as a conclusion of law that the question whether such increased fares contra- [fol. 469] vene said Emergency Price Control Act and said Inflation Control Act is an administrative question within the exclusive jurisdiction of the Interstate Commerce Commission, whose findings and determination in connection therewith the Court can not review unless such findings and determination were made without any evidence to support them.

XI. The Court erred in failing to hold as a conclusion of law that the intervenor, having failed to offer any evidence whatever int he proceedings before the Interstate Commerce Commission to show or intended to show that said increased fares would result in inflation or increased cost of living, and having expressly conceded before the Interstate Commerce Commission that he did not contend that such increased fares in themselves could so result, said intervenor is without such interest in said proceedings before the Commission as would entitle him as a plaintiff intervenor to maintain a complaint or intervention to set aside, annul and enjoin said orders of the Interstate Commerce Commission.

XII. The Court erred in failing to hold as a conclusion of law that in view of the intervenor's express admission

that the intervenor did not contend that said increased fares could themselves result in inflation, the intervenor's mere contention before the Interstate Commerce Commission that such increased fares in conjunction with other increased living costs, as to which costs the intervenor offered no evidence, would result in "an inflationary spiral", is insufficient to establish such interest in said proceedings before the Interstate Commerce Commission as would entitle the intervenor as a plaintiff intervenor to maintain a complaint or intervention to set aside, annul and enjoin said orders of the Interstate Commerce Commission.

[fol. 470] XIII. The Court erred in holding as a conclusion of law that:

> "2. The petition by the defendant carrier, Hudson & Manhattan Railroad Company, to the Interstate Commerce Commission of July 27, 1942 asking for a ten cent fare on its downtown line, was one for additional revenue and the orders of the Commission of June 8, 1943 and November 2, 1943 were based upon Section 15 (1) of the Interstate Commerce Commission statute which specifically provides for a full hearing"

in that the Commission's orders here enjoined do not by their terms purport to be based on said Section 15a * and are amendatory of the Commission's order of July 11, 1938, which was expressly based on both Section 1 and Section 15a of the Act.

XIV. The Court erred in holding as a conclusion of law that:

> "3. Both the plaintiff, City of Jersey City, and the intervenor plaintiff, Director of the Office of Economic Stabilization, properly appeared as protesting parties before the Interstate Commerce Commission and were and are entitled to a full and fair hearing by that Commission"

in so far as the Court failed to hold as a conclusion of law that the intervenor's right to a full and fair hearing by the Interstate Commerce Commission was limited to the right

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* Presumably the Court meant to refer to Section 15a, which is the so-called "revenue" section of the Act.

to a full and fair hearing solely on the question whether said increased fares would result in inflation or increased cost of living in contravention of the Emergency Price Control Act and the Inflation Control Act, and in failing to hold as a conclusion of law that the intervenor had been accorded such full and fair hearing.

[fol. 471] XV. The Court erred in holding as a conclusion of law that:

> "4. Both the plaintiff and the plaintiff-intervenor, were denied a full and fair hearing in that they were deprived of the right to cross examine witnesses and to present testimony on matters which have a substantial bearing upon the right of the Hudson & Manhattan Railroad Company to fares higher than fares charged on September 15, 1942."

XVI. The Court erred in failing to hold as a conclusion of law that the plaintiff and the intervenor were both accorded a full and fair hearing by the Interstate Commerce Commission.

XVII. The Court erred in failing to hold as a conclusion of law that the matters as to which the Court holds the plaintiff and the intervenor were denied full and fair hearing were matters which both the plaintiff and the intervenor were estopped to raise and were matters in which the intervenor had no legal interest.

XVIII. The Court erred in failing to hold as a conclusion of law that the question whether the matters as to which the Court holds the plaintiff and the intervenor were denied full and fair hearing, are matters which have a substantial bearing upon the right of the defendant Hudson & Manhattan Railroad Company to fares higher than fares charged on September 15, 1942, was an administrative question within the exclusive jurisdiction of the Interstate Commerce Commission, whose findings and determination that such matters could have no substantial bearing upon such right of defendant Hudson & Manhattan Railroad Company were conclusive upon the Court.

XIX. The Court erred in failing to hold as a matter of law that the question whether the proceedings before the [fol. 472] Interstate Commerce Commission should be fur-

ther reopened and further hearing granted therein after the further hearing held under the Commission's order of September 18, 1943, was an administrative question within the exclusive jurisdiction of the Interstate Commerce Commission, whose determination in relation thereto was conclusive upon the Court.

XX. The Court erred in setting aside, annulling and enjoining said orders of the Interstate Commerce Commission and each of them on the ground that the Commission had refused to receive certain evidence offered by the plaintiff and the intervenor, in the absence of a finding by the Court that had such evidence been received the Commission must as a matter of law have denied the increased rates authorized by its respective orders.

XXI. The Court erred in setting aside, annulling and enjoining said orders of the Interstate Commerce Commission and each of them on the ground that the Commission had refused to receive certain evidence offered by the plaintiff and the intervenor, in the absence of a finding by the Court that had such evidence been received the Commission as a matter of law must have disregarded all other evidence of record which would otherwise have supported such orders.

XXII. The Court erred in holding as a conclusion of law that:

> "5. That the Commission's said orders of June 8, 1943 and November 2, 1943 authorizing increases in fares failed to give effect to the economic stabilization program and efforts of the national government to [fol. 473] keep down the cost of living, particularly in that the Commision erroneously assumed that said increases would not have any effect on the program to keep down the cost of living."

XXIII. The Court erred in failing to hold as a conclusion of law that the effect to be given in connection with the Commission's orders of June 8, 1943, and November 2, 1943, to the economic stabilization program and efforts of the national government to keep down the cost of living, is an administrative question within the exclusive jurisdiction of the Interstate Commerce Commission, whose findings and determination in relation thereto are conclusive

upon the Court, and that the Court is without jurisdiction to substitute its judgment for that of the Commission in such respect.

XXIV. The Court erred in holding as a conclusion of law:

"6. That both the plaintiff and the intervenor plaintiff exhausted their administrative remedies before instituting this proceeding."

XXV. The Court erred in failing to hold as a conclusion of law that both the plaintiff and the intervenor, before instituting this proceeding, had wholly failed to exhaust their administrative remedies in connection with the Commission's order of June 8, 1943, and that the plaintiff likewise had wholly failed to exhaust its administrative remedies in connection with the Commission's order of September 15, 1943.

XXVI. The Court erred in holding as a conclusion of law:

"7. That the plaintiff, City of Jersey City, and the intervenor plaintiff, Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator, are entitled to the setting aside and annulling of said orders of June 8, 1943, and November 2, 1943 and to a perpetual injunction against their enforcement insofar as they permit the establishment of any local interstate fare in excess of eight cents for transportation on the downtown line of said defendant, Hudson & Manhattan Railroad Company."

[fol. 474] XXVII. The Court erred in holding as a conclusion of law:

"8. That the plaintiff, City of Jersey City, and intervener plaintiff, Fred M. Vinson, Economic Stabilization Director, are not estopped from questioning the validity of the nine cent fare on the downtown line of the defendant, Hudson & Manhattan Railroad as authorized in the Commission's order of June 8, 1943 or the further increases in said downtown fare authorized by the Commission's order of November 2, 1943."

XXVIII. The Court erred in failing to hold as a conclusion of law that both the plaintiff and the intervenor

were and are estopped from questioning the validity of the nine cent fare on the downtown line of the defendant, Hudson & Manhattan Railroad, authorized by the Commission's order of June 8, 1943, and from questioning the further increases in said downtown fare authorized by the Commission's order of November 2, 1943, by reason of the nature of the allegations and prayers of the original complaint herein filed September 13, 1943, and by reason of the Commission's order of reopening of September 18, 1943 thereby induced, and by reason of the subsequent conduct of the plaintiff and the intervenor in connection with such reopening.

XXIX. The Court erred in the following numerous findings of fact relating to major issues of fact before the Court, in that such purported findings of fact are merely verbatim quotations of inaccurate and misleading allegations of the amended complaint of the plaintiff or of other pleadings of the plaintiff or intervenor, unsupported by and contrary to the record before the Court:

A. In its finding of fact No. 12 in that such purported finding of fact consists merely of a substantially verbatim quotation of paragraph 7 of the amended complaint herein, [fol. 475] thereby repeating in such purported finding of fact the misrepresentations made in paragraph 7 of the amended complaint as to the Commission's findings in connection with its original report and order of July 11, 1938, such misrepresentations consisting, among other things, of partial quotations from the Commission's findings and report taken out of their context.

B. In its finding of fact No. 14 in that such purported finding of fact in finding *inter alia* that

> "Such further hearing was held and as a result thereof the Commission issued its decision on June 8, 1943, 255 I. C. C. 649, affirming its original conclusion that the proposed fare of ten cents would be unjust and unreasonable and has not been justified."

consists merely of a verbatim quotation of the second sentence of paragraph 9 of the amended complaint herein, thereby repeating in such purported finding of fact the misrepresentation made in such portion of paragraph 9 of the

amended complaint as to the nature of the Commission's report, findings and order of June 8, 1943.

C. In its finding of fact No. 15 in that such purported finding of fact consists merely of a verbatim quotation of paragraph 10 of the amended complaint herein, thereby repeating in such purported finding of fact the misrepresentations made in paragraph 10 of the amended complaint as to the Commission's findings in connection with its report and order of June 8, 1943, such misrepresentation consisting, among other things, of partial quotations from the findings and report of the Commission, taken out of their context.

D. In its findings of fact Nos. 16 and 19 in that such purported findings of fact consist merely of a verbatim quotation of Paragraphs 13 and 14 of the amended complaint [fol. 476] (omitting only the last paragraph of Paragraph 14), thereby repeating in such purported findings of fact the misrepresentations made in Paragraphs 13 and 14 of the amended complaint as to the Commission's findings and order of August 3, 1943, of the Commission's original report and order of July 11, 1938, of the decision of the District Court for the District of New Jersey in Hudson & M. R. Co. v. United States, 33 Fed. Sup. 495 and of the decision of the Supreme Court in Hudson & Manhattan R. R. Co. v. United States, 313 U. S. 98; such misrepresentations consisting, among other things, of an insufficient and inaccurate statement of the nature and grounds of the Commission's report, findings and order of June 8, 1943, and August 3, 1943, and of the nature, scope and effect of the decisions of the District Court and of the Supreme Court there referred to.

E. In its finding of fact No. 20 in that such purported finding of fact consists merely of a verbatim quotation of paragraph 21 of the amended complaint herein, thereby repeating in such purported finding of fact the misrepresentations made in paragraph 21 of the amended complaint as to the nature and purpose of the plaintiff's original complaint of September 13, 1943 herein, such misrepresentations consisting, among other things, (a) of the omission of the significant fact that such original complaint raised no question whatever of the validity and reasonableness of the 9 cent fare on the downtown line of the defendant Hud-

son & Manhattan Railroad authorized by the Commission's findings and order of June 8, 1943, but, on the contrary, expressly prayed that the Commission's report and order of August 3, 1943 be set aside, annulled and enjoined, only in so far as such findings and order authorized fares on [fol. 477] said defendant's downtown line in excess of 9 cents, and (b) of the omission of the further significant fact that the fundamental ground alleged in such original complaint as to the invalidity of the Commission's order of August 3, 1943, was that the Commission, before entering that order, had not afforded the plaintiff an opportunity to cross examine or to offer counter evidence with relation solely to the inability of the defendant, Hudson & Manhattan Railroad Company, to collect such authorized 9 cent fare because of the mechanical limitations of its available fare collection boxes.

XXX. The Court further erred in its findings of fact Nos. 12, 14, 15, 18 and 19, in that such findings purport to construe certain findings, reports and orders of the Interstate Commerce Commission and prior decisions of the Court and of the Supreme Court of the United States, which matters are not proper subjects for findings of fact.

XXXI. The Court erred in its finding of fact No. 22, in that said finding is inaccurate as to the nature of the evidence which the plaintiff and intervenor sought to submit and which was excluded by the examiner, and in that said finding misconstrues the relevance to such excluded evidence of the portions of the Commission's report of July 8, 1943, therein quoted out of context.

XXXII. The Court erred in its finding of fact No. 23, in that (a) the condensed income statement therein referred to and there stated to be that of the defendant railroad was shown by uncontradicted evidence before the Court to be not an income statement of the defendant railroad from railroad operations, but to be a consolidated statement of the Hudson & Manhattan Railroad Company's entire cor- [fol. 478] porate income, including its income from its Hudson Terminal office buildings and other non-railroad operations; and (b) in that the remainder of said finding of fact appears from the finding itself to be merely a recital of certain contentions of the plaintiff and intervenor.

XXXIII. The Court erred in its finding of fact No. 24, in that said finding of fact is inaccurate as to the nature and contents of the intervenor's motion of October 14, 1943, for modification and amendment of the Commission's order of September 18, 1943, and in that said finding ignores the fact that the plaintiff, as shown by the Rules of Practice of the Interstate Commerce Commission of record before the Court, could not by the letter referred to in said finding join in such motion of the intervenor.

XXXIV. The Court erred in its findings of fact Nos. 25, 26, 27 and 28, in that said findings of fact are inaccurate as to the nature, contents and effect of the Commission's report and order of November 2, 1943, which matters are not in any event proper subjects for findings of fact.

XXXV. The Court erred in its finding of fact No. 30, in that said finding of fact is inaccurate as to the nature of the estoppel alleged in the amended answer of the defendant Interstate Commerce Commission and in the answer of the defendant, Hudson & Manhattan Railroad Company, as a bar to any right in the plaintiff or in the intervenor to an injunction against the Commission's orders of June 8, 1943, and November 2, 1943.

XXXVI. The Court erred in its finding of fact No. 31, in that said finding of fact is inaccurate as to the Court's own order granting an interlocutory injunction in these pro-
[fol. 479] ceedings, said order in fact restraining and enjoining the defendants for a period of fifty days from the date of said order and until the further order of the Court, and not as stated in said finding merely enjoining the defendants pending final hearing in this proceeding.

XXXVII. The Court erred in failing to make the following findings of fact:

A. That there was evidence of record before the Commission to support its findings and orders of June 8, 1943, and November 2, 1943.

B. That there was ample evidence of record before the Commission with respect to the revenues, expenses and income of defendant Hudson & Manhattan Railroad Company to warrant the Commission in the exercise of its discretion in limiting the further hearing granted by the Com-

mission's order of September 18, 1943, to the specific issues of the inability of such defendant to collect the 9 cent fare authorized by the Commission's findings, report and order of June 8, 1943, and of the propriety and lawfulness of the proposed alternative token and dime fares.

C. That the alleged "Condensed Income Statement" of defendant Hudson & Manhattan Railroad Company, which the intervenor sought to introduce in evidence at the further hearing before the Commission held under its order of September 18, 1943, was of no probative value on the issue of the income of defendant Hudson & Manhattan Railroad Company from its railroad operations, since such statement was a consolidated statement of the Hudson & Manhattan Railroad Company's entire corporate income, including its income from its Hudson Terminal office buildings and other non-railroad operations, from which it would have been impossible to determine the income of such de- [fol. 480] fendant from its railroad operations.

D. That the intervenor, although afforded ample opportunity to do so under the Commission's order permitting his intervention in accordance with the provisions of the Inflation Control Act, neither offered nor introduced any evidence whatever before the Commission to show, or intended to show, that the proposed increases in the fares of the defendant Hudson & Manhattan Railroad Company would result, or tend to result, in inflation or in increased cost of living, but, on the contrary, specifically conceded in his exceptions of March 3, 1943, to the Examiner's proposed report in the proceedings before the Commission that "We did not, nor do we now, suggest that this proposed increase in fare will in and of itself result in inflation. Such a suggestion would, of course, be asinine."

E. That, while the intervenor did contend in the proceedings before the Commission that the proposed increased fares of the defendant Hudson & Manhattan Railroad Company in conjunction with other increased costs of living would result in what the intervenor termed "an inflationary spiral", the intervenor neither offered nor introduced any evidence before the Commission of such other increased costs of living, although afforded ample opportunity to do so.

F. That the allegations of fact set forth in paragraph XXII of the answer of defendant Hudson & Manhattan

Railroad Company to the amended complaint, adopted by defendant Interstate Commerce Commission in its amended answer, as a basis for the defense that the plaintiff cannot maintain such complaint or be accorded the injunctive relief therein prayed because of the plaintiff's failure, before filing such complaint, to exhaust its administrative remedies before the Commission, are supported by the evidence of record before the Court.

[fol. 481] G. That the allegations of fact set forth in paragraph XXII of the answer of defendant Hudson & Manhattan Railroad Company to the amended complaint, adopted by defendant Interstate Commerce Commission in its amended answer, as a basis for the defense that the plaintiff cannot maintain such complaint or be accorded the injunctive relief therein prayed because of certain estoppels arising against the plaintiff by reason of the conduct of the plaintiff specified in said paragraph, are supported by the evidence of record before the Court.

H. That the allegations of fact set forth in paragraph XII of the answer of defendant Hudson & Manhattan Railroad Company to the intervenor's petition for intervention, adopted by defendant Interstate Commerce Commission in its amended answer, as a basis for the defense that the intervenor cannot maintain such petition or be accorded the injunctive relief therein prayed because of the intervenor's failure, before filing his petition for intervention and other relief, to exhaust his administrative remedies before the Commission, are supported by the evidence of record before the Court.

I. That the allegations of fact set forth in paragraph XII of the answer of defendant Hudson & Manhattan Railroad Company to the intervenor's petition for intervention, adopted by defendant Interstate Commerce Commission in its amended answer, as a basis for the defense that the intervenor cannot maintain such petition or be accorded the injunctive relief therein prayed because of certain estoppels arising against the intervenor by reason of the conduct of the intervenor specified in said paragraph, are supported by the evidence of record before the Court.

Wherefore, defendants appellants Interstate Commerce Commission and Hudson & Manhattan Railroad Company

[fol. 482] pray that said final decree entered January 14, 1944, be reversed.

Dated February 9, 1944.

Daniel W. Knowlton, Chief Counsel; E. M. Reidy, Assistant Chief Counsel (For the Interstate Commerce Commission); James B. Emory, Collins & Corbin, John E. Buck, Thomas A. Halleran, John F. Finerty (For Hudson & Manhattan Railroad Company).

[fol. 483] In the District Court of the United States

[Title omitted]

Order Allowing Appeal—February 9, 1944

In the above-entitled cause, the Interstate Commerce Commission and Hudson & Manhattan Railroad Company, defendants, having made and filed a Petition for Appeal to the Supreme Court of the United States from the final decree of this Court in this cause entered on January 14, 1944, and having also made and filed an Assignment of Errors, and a Jurisdictional Statement, and having in all respects conformed to the statutes and rules of Court in such case made and provided, it is

Ordered and Decreed that the appeal be, and the same is hereby, allowed as prayed for; and it is

Further Ordered that a certified transcript of the record herein be transmitted in due course to the Supreme Court of the United States (except as the Court may direct that [fol. 484] part of the original record herein shall be transmitted in lieu of a transcript thereof); and it is

Further Ordered that the bond of defendant Hudson & Manhattan Railroad Company on said appeal be fixed at the sum of One thousand dollars ($1,000), the same to be and act as a bond for costs but not as a supersedeas; and that the appeal bond in the sum of One thousand dollars ($1,000), wherein said defendant is principal and United States Fidelity and Guaranty Company is surety, conditioned for payment of costs upon said appeal and presented

for approval be, and it hereby is, approved and ordered filed.

Dated February 9, 1944.

Thomas F. Meaney, United States District Judge.

[fols. 485-486] Citation in usual form showing service on Charles H. Hershenstein and Harry R. Booth omitted in printing.

[fols. 487-489] Cost Bond on Appeal for $1000.00 approved and filed February 9, 1944, omitted in printing.

[fol. 490] IN THE DISTRICT COURT OF THE UNITED STATES

[Title omitted]

NOTICE OF APPEAL TO ATTORNEY GENERAL OF NEW JERSEY—Filed February 9, 1944

To: The Attorney General for the State of New Jersey:

You are hereby notified that the District Court of the United States for the District of New Jersey, on February 9 1944, filed and entered an order allowing an appeal by defendants Interstate Commerce Commission and Hudson & Manhattan Railroad Company to the Supreme Court of the United States from a final decree filed and entered on the 14th day of January, 1944, in the above-entitled cause, and that the citation signed by such Court on February 9, 1944, in connection with the order allowing such appeal, is made returnable within 40 days from the date of the signing of such citation.

Attached hereto are copies of each of the following docu-
[fol. 491] ments: the citation referred to above, the petition for and the order allowing said appeal, defendants' jurisdictional statement pursuant to Rule 12 of the revised Rules of the Supreme Court of the United States, and the statement required to be served on appellees by said Rule 12.

This notice is given to you pursuant to the provisions of U. S. Code, Title 28, sec. 47a, enacted March 3, 1911, c. 231,

sec. 210, 36 Stat. 1150, as amended by the Urgent Deficiencies Act of October 22, 1913, c. 32, 38 Stat. 219, 220.

Dated February 9, 1944.

Daniel W. Knowlton, Chief Counsel; E. H. Reidy, Assistant Chief Counsel, (for the Interstate Commerce Commission); James B. Emory, Collins & Corbin, John E. Buck, Thomas A. Halleran, John F. Finerty, (For Hudson & Manhattan Railroad Company.).

Received a copy of the foregoing notice this 10 day of February, 1944.

Walter D. Van Riper, For the Attorney General of the State of New Jersey.

[fol. 492] In the District Court of the United States

[Title omitted]

Order as to Exhibits—Filed Feb. 9, 1944

In accordance with the provisions of the praecipe for consolidated transcript of record of defendants-appellants Interstate Commerce Commission and Hudson & Manhattan Railroad Company, on the joint appeal of said defendants from the final decree granting a permanent injunction, entered in the above-entitled cause on January 14, 1944, and on the separate appeal of defendant Hudson & Manhattan Railroad Company from the order granting an interlocutory injunction, entered in the above-entitled cause on November 26, 1943, and it appearing that the parties have consented thereto, it is hereby

Ordered that the Clerk of this Court transmit as part of the consolidated record on the respective appeals of said defendants herein to the Supreme Court of the United States, with the consolidated transcript of record as designated in the praecipe filed herein, and in lieu of a tran-
[fol. 493] script thereof, the original of the record of proceedings before the Interstate Commerce Commission in I. & S. Docket No. 4394, *Passenger Fares of the Hudson & Manhattan Railroad Company*, identified in said praecipe as Exhibits P-1 to P-9, inclusive, Intervenor's Exhibits 1 to 4, inclusive, Exhibits for H&M D-1 to D-11, inclusive, and Exhibits for I. C. C. D-1 to D-3, inclusive, all of which documents and papers were filed of record with this Court on December 14, 1943; and it is hereby

Further ordered that the Clerk attach thereto his certificate that said Exhibits are part of the original record before this Court.

Dated, February 9, 1944.

Thomas F. Meaney, United States District Judge.

We consent to the entry of the above order by the Court.

Daniel W. Knowlton, Chief Counsel. E. M. Reidy, Assistant Chief Counsel (for the Interstate Commerce Commission). James B. Emory, Collins & Corbin, John E. Buck. Thomas A. Halleran. John F. Finerty, (For Hudson & Manhattan Railroad Company). Charles E. Hershenstein. Harry R. Booth, (attorneys for Plaintiff and Intervenor).

February 9, 1944.

[fol. 494] In the District Court of the United States

[Title omitted]

Stipulation as to Record—Filed Feb. 9, 1944

It is hereby stipulated that the portions of the record to be included in the transcript on the joint appeal of defendants Interstate Commerce Commission and Hudson & Manhattan Railroad Company from the final decree granting a permanent injunction dated January 14, 1944, and on the separate appeal of defendant Hudson & Manhattan Railroad Company from the order granting an interlocutory injunction dated November 26, 1943, shall be those portions thereof which are designated in the annexed Praecipe for Consolidated Transcript of Record, dated February 9, 1944.

The undersigned attorneys for the plaintiff and the intervenor hereby admit service of such Praecipe for Consolidated Transcript of Record and receipt of a copy thereof.

Dated, February 9, 1944.

Daniel W. Knowlton, Chief Counsel. E. M. Reidy, Assistant Chief Counsel. (For the Interstate [fol. 495] Commerce Commission). James B. Emory, Collins & Corbin. John E. Buck. Thomas A. Halleran. John F. Finerty. (For Hudson & Manhattan Railroad Company.) Charles E. Hershenstein, Attorney for Plaintiff. Harry B. Booth, Attorney for Intervenor.

[fol. 496] IN THE DISTRICT COURT OF THE UNITED STATES

[Title omitted]

DEFENDANTS'-APPELLANTS' PRAECIPE FOR CONSOLIDATED TRANSCRIPT OF RECORD—Filed February 9, 1944

* * * * * * *

To the Clerk of the Above-named Court:

You are hereby requested to prepare a consolidated transcript of the record in the above-entitled cause to be filed in the Supreme Court of the United States, pursuant to appeals allowed therein, respectively, from the final decree granting a permanent injunction, dated January 14, 1944, and from the order granting an interlocutory injunction, dated November 26, 1943, and to include in such consolidated transcript of record the items hereinafter specified. [fol. 497] The record on the joint appeal of defendants Interstate Commerce Commission and Hudson & Manhattan Railroad Company from the final decree granting a permanent injunction is to consist of the items designated by a dagger (†). The record on the separate appeal of defendant Hudson & Manhattan Railroad Company from the order granting an interlocutory injunction is to consist of and be limited to the items designated by an asterisk(*).

*†(1) Original complaint, filed September 13, 1943, and Exhibits 1-5, inclusive, attached thereto.

*†(2) Summonses served upon the United States of America, Interstate Commerce Commission and Hudson & Manhattan Railroad Company, together with acknowledgments of service thereof.

*(3) Order convening statutory court and setting case for hearing on September 21, 1943, on application for interlocutory injunction based on original complaint, filed September 14, 1943.

*†(4) Answer of Interstate Commerce Commission to original complaint, filed September 25, 1943.

*†(5) Stipulations and orders extending time of Hudson & Manhattan Railroad Company to answer original complaint until November 15, 1943, and December 8, 1943.

*†(6) Motion by plaintiff for leave to file amended complaint, filed November 18, 1943.

*†(7) Order of Court granting plaintiff leave to file amended complaint and setting case for hearing on November 24, 1943, on application for interlocutory injunction based on amended complaint, filed November 18, 1943.

*†(8) Amended complaint, filed November 18, 1943, and Exhibits 1-7, inclusive, attached thereto.

*†(9) Motion for leave to file petition for leave to intervene by OPA and Director of Economic Stabilization, filed November 19, 1943.

*†(10) Petition for leave to intervene by OPA and Director of Economic Stabilization, Exhibit A, and other papers attached to said petition, filed November 19, 1943.

*†(11) Order of Court granting petition for leave to intervene by OPA and Director of Economic Stabilization, filed November 24, 1943.

[fol. 498] *†(12) Answer of Hudson & Manhattan Railroad Company to amended complaint, and Exhibits A, B and C thereto, filed December 6, 1943.

*†(13) Answer of Interstate Commerce Commission to amended complaint, filed December 1, 1943.

*†(14) Answer of United States of America to amended complaint, filed November 24, 1943.

*†(15) Answer of Hudson & Manhattan Railroad Company to petition of OPA and Director of Economic Stabilization, filed December 9, 1943.

*†(16) Answer of Interstate Commerce Commission to intervening petition of OPA and Director of Economic Stabilization, filed December 4, 1943.

*†(17) Amended answer of Interstate Commerce Commission to amended complaint and to intervening petition, filed December 11, 1943.

*(18) Transcript of and record on hearing before three-judge court, November 24 and 26, 1943, on application for interlocutory injunction.

*(19) Affidavit of Walter F. Brown, dated November 24, 1943.

*(20) Affidavit of Arthur Potterton, dated November 26, 1943.

*(21) Interlocutory injunction dated November 26, 1943.

*(22) Findings of Court and order dated November 26, 1943.

*(23) Petition for appeal of defendant Hudson & Manhattan Railroad Company from interlocutory injunction, filed December 24, 1943.

*(24) Assignments of error of defendant Hudson & Manhattan Railroad Company, filed December 24, 1943.

*(25) Jurisdictional statement by defendant Hudson & Manhattan Railroad Company under Rule 12 of the Revised Rules of the Supreme Court of the United States, filed December 24, 1943.

*(26) Bond on appeal of defendant Hudson & Manhattan Railroad Company, filed December 24, 1943.

*(27) Order allowing appeal of defendant Hudson & Manhattan Railroad Company from interlocutory injunction, filed December 24, 1943.

*(28) Citation on appeal issued at instance of defendant Hudson & Manhattan Railroad Company with acknowledgment of service thereof, filed December 24, 1943.

[fol. 499] *(29) Statement by defendant-appellant, Hudson & Manhattan Railroad Company, directing attention to Paragraph 3 of Rule 12 of the Revised Rules of the Supreme Court of the United States with acknowledgment of service thereof, filed December 29, 1943.

*(30) Order of Court enlarging until March 24, 1944, the time of defendant Hudson & Manhattan Railroad Company to docket the case and file the record on appeal from interlocutory injunction, filed —— —, 1944.

†(31) Transcript of hearing before three-judge court, December 14, 1943, on application for permanent injunction.

†(32) Opinion of Court with respect to permanent injunction, filed January 12, 1944.

†(33) Findings of Fact and Conclusions of Law with respect to permanent injunction, entered by Court on January 12, 1944.

†(34) Final decree granting permanent injunction, dated January 14, 1944.

†(35) Notice of appeal of defendants Interstate Commerce Commission and Hudson & Manhattan Railroad Company from permanent injunction, with acknowledgment of service thereof.

†(36) Petition for appeal of defendants Interstate Commerce Commission and Hudson & Manhattan Railroad Company from permanent injunction, filed Feb. 9, 1944.

†(37) Assignments of Error of defendants Interstate Commerce Commission and Hudson & Manhattan Railroad Company, filed Feb. 9, 1944.

†(38) Jurisdictional statement by defendants Interstate Commerce Commission and Hudson & Manhattan Railroad Company under Rule 12 of the Revised Rules of the Supreme Court of the United States, filed Feb. 9, 1944.

†(39) Bond on appeal of defendant Hudson & Manhattan Railroad Company, filed Feb. 9, 1944.

†(40) Order allowing appeal of defendants Interstate Commerce Commission and Hudson & Manhattan Railroad Company from Permanent injunction, filed Feb. 9, 1944.

†(41) Citation on appeal issued at instance of defendants Interstate Commerce Commisison and Hudson & Manhattan Railroad Company with acknowledgment of service thereof, filed Feb. 9, 1944.

†(42) Notice to Attorney General of State of New Jersey, with acknowledgment of service thereof.

†(43) Statement by defendants-appellants, Interstate Commerce Commisison and Hudson & Manhattan Railroad Company, directing attention to Paragraph 3 of Rule 12 [fol. 500] of the Revised Rules of the Supreme Court of the United States with acknowledgment of service thereof, filed February 9, 1944.

†(44) Order of Judge Meaney, dated February 9, 1944, directing the Clerk to transmit original record to Supreme Court of the United States, and consent of counsel thereto.

*†(45) Praecipe for consolidated transcript of record and acknowledgment thereof.

*†(46) All docket entries in their appropriate order.

Said transcript is to be prepared as required by law and the rules of this Court and by the rules of the Supreme Court of the United States.

You are also requested, in accordance with the order directing that part of the original record be transmitted upon appeal, entered by this Court on February 9, 1944, to transmit as part of the consolidated record on the respective appeals of said defendants herein the original of the record of proceedings before the Interstate Commerce Commission as filed with this Court on December 14, 1943, identified as follows:

*† P-1 Transcript of hearings before Interstate Commerce Commission.

*† P-2 Interstate Commerce Commission order of June 8, 1943.

*† P-3 Interstate Commerce Commission order of November 2, 1943.

*† P-4 Interstate Commerce Commission order of July 11, 1938.

*† P-5 Interstate Commerce Commission report of August 3, 1943.

*† P-6 Petition of Hudson & Manhattan Railroad Company, dated July 8, 1943.

*† P-7 Reply of protestants dated July 14, 1943.

[fol. 501] *† P-8 Interstate Commerce Commission order of September 18, 1943, reopening proceedings.

*† P-9 Brief of protestants on further hearing commencing September 28, 1943.

Intervenors

Exhibits		Description
*†	1	Motion of Economic Stabilization Director, dated October 14, 1943 (Exhibit C attached to intervening petition, pages 26-29).
*†	2	Reply of Director and Administrator, dated July 19, 1943, to petition for reconsideration and modification.

*† 3 Exceptions filed on behalf of Administrator to report of examiner, dated March 8, 1943.

*† 4 Brief of Economic Stabilization Director upon reopened hearing, dated October 14, 1943.

Exhibits for H. & M.

*† D-1 Reply of Hudson & Manhattan Railroad Company to motion of Economic Stabilization Director for modification and amendment of Commission's order of September 18, 1943.

*† D-2 Letter from plaintiff's counsel to Interstate Commerce Commission dated October 26, 1943, adopting petition of Price Administrator for modification.

*† D-3 Petition of Hudson & Manhattan Railroad Company, dated June 27, 1942, for reopening of proceedings, etc.

*† D-4 Reply of City of Jersey City to plaintiff's petition for reopening, dated July 6, 1942.

*† D-5 Reply of Hudson Bus Transportation Company, et al., to plaintiff's petition for reopening, dated July 10, 1942.

*† D-6 Copy of letter dated October 17, 1942, from Harry R. Booth to Interstate Commerce Commission, asking leave to file brief as intervenor.

*† D-7 Notice and consent to intervention directed to Price Administrator by the Hudson & Manhattan Railroad Company, dated November 9, 1942.

*† D-8 Report proposed on further hearing, by Examiner Trezise of the Interstate Commerce Commission.

[fols. 502-503] *† D-9 Exceptions by New Jersey protestants to report proposed by Examiner Trezise.

*† D-10 Reply of plaintiff to exceptions to report of Examiner Trezise, dated March 18, 1943.

*† D-11 Stipulation between counsel for the various parties, upon oral argument before Interstate Commerce Commission on April 20, 1943, as to certain traffic statistics.

Exhibits for I.C.C.	Description
*† D-1	Interstate Commerce Commission order of July 13, 1942, reopening case on petition of Hudson & Manhattan Railroad Company.
*† D-2	Interstate Commerce Commission order of November 13, 1942, granting OPA right to intervene.
*† D-3	Transcript of oral argument before Interstate Commerce Commission, April 20, 1943.

Dated, February 9, 1944.

Daniel W. Knowlton, Chief Counsel; E. M. Reidy, Assistant Chief Counsel (For the Interstate Commerce Commission). James B. Emory, Collins & Corbin, John E. Buck, Thomas A. Halleran, John F. Finerty (For Hudson & Manhattan Railroad Company).

[fol. 504] IN THE UNITED STATES DISTRICT COURT

[Title omitted]

DOCKET ENTRIES

1943		
September	13	Complaint filed.
	13	Summons issued.
	14	Order setting cause down for hearing, filed.
	17	Summons returned served on The Attorney General and Interstate Commerce Commission by mail on September 14, 1943, served on Hudson & Manhattan R. R. Co. by leaving with Ed. Markley, Member of firm of Attorneys of said R. R. Co. on September 16, 1943 and on U. S. A. by serving Charles M. Phillips, U. S. Dist. Attorney, personally on September 14, 1943, filed.
	25	Answer of Interstate Commerce Commission, filed.
	27	Notice of fixing place of trial, filed.
October	8	Stiplation and order extending time of Hudson & Manhattan R. R. Co. to answer etc., to 11/15/43, filed.

November 3 Call of Calendar—Case marked ready.
18 Notice of motion to file amended complaint, amended complaint, etc., filed (Meaney).
18 Order that leave be granted to plaintiff to file amended Complaint &c. (M).
19 Notice of motion for leave to file and serve; petition of Fred M. Vinson, Director of the Office of Economic Stabilization, by Chester Bowles, Price Adm., etc. for Leave to intervene, etc., filed.
19 Stipulation and Order that time of defendant to file answer or motion to dismiss, etc. be extended to December 6, 1943, filed.

[fol. 505]

1943

November 24 Statutory Hearing. Ordered Motion for leave to file answer on behalf of United States granted. Ordered motion for order permitting Fred M. Vinson, Director of the Office of Economic Stabilization by Chester Bowles, Price Administrator, to intervene, granted. Court continued case until 11/26/43.
24 Order permitting intervention of Fred M. Vinson, Director, etc., filed.
24 Answer of United States, filed.
24 Affidavit in opposition to motion for interlocutory inj. filed.
26 Statutory Hearing continued. Order for interlocutory injunction granted. Motion that City of Jersey City post bond denied.
26 Replying Affidavit of Arthur Potterton, filed.
26 Order for Interlocutory Injunction and Restraint and order that final hearing in case be 12/14/43, filed.
30 Notice of "Supplement No. 2 to I. C. C. No. 53 Cancelling Supplement No. 1, filed.

December 1 Answer of Interstate Commerce Commission to Amended Complaint, filed.
1 Per Curiam Opinion, filed (McLaughlin, Fake & Meaney).

DOCKET ENTRIES—Continued

1943		
December	4	Answer of Interstate Commerce Commission to Intervening Petition of Economic Stabilization Director and Price Administrator, filed.
	6	Answer of Defendant, Hudson & Manhattan R. R. Co., to Amended Complaint, filed, C. & C.
	9	Answer of Defendant, Hudson & Manhattan R. R. Co., to the Petition of Fred M. Vinson, for leave to Intervene, for an Interlocutory Injunction and for other relief, filed.
	11	Amended answer of Interstate Commerce Commission to Amended Petition of City of Jersey City, et al., and Intervening Petition of Office of Price Administration and Director of Economic Stabilization, filed.
	14	Statutory Hearing Continued. Decision Reserved, Briefs to be submitted.
	24	Petition for Appeal, Order Allowing Appeal, and assignment of errors, filed.
	24	Bond on Appeal, filed.
	24	Jurisdictional Statement, filed.
	24	Citation to City of Jersey City, returnable on the 24th day of January, 1944, filed.

[fol. 506]

1943		
December	29	Statement by Defendant-Appellant, Hudson & Manhattan Railroad Co., directing attention to Paragraph 3 of Rule 12 of the Revised Rules of the Supreme Court of the United States, filed.
1944		
January	12	Opinion filed.
	12	Findings of Fact and Conclusions of Law, filed.
	13	Objections of Intervenor Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator to appeal to Defendant Hudson and Manhattan Railroad Co., from order granting Interlocutory Injunction, and motion to dismiss said Appeal, filed.

DOCKET ENTRIES—Continued

1944
January 13 Certificate of Service, filed.
14 Final Decree for permanent injunction, filed.
14 Charge for filing pet. for appeal (12/24/43).
14 Judgment for costs in favor of the City of Jersey City, et al. and against Hudson & Manhattan Railroad Co., entered (Notice sent Attys.).
17 Objections of City of Jersey City, Plaintiff, to Appeal of Defendant, Hudson & Manhattan R. R. Co., from order granting Interlocutory Injunction and Motion to dismiss said appeal, filed.
20 Copy of Stipulation and order enlarging time of defendant, Hudson & Manhattan R. R. Co., to docket and file the record with the Clerk of the Supreme Court to 3/24/44, filed.
24 Original order enlarging time of defendant to docket and file the record, etc., sent to Clerk of Supreme Court.
February 9 Notice of Appeal, filed (I. C. C., et al.).
9 Petition for appeal, Order allowing appeal and Assignment of errors, filed.
9 Citation issued, returnable March 8, 1944.
9 Citation ret'd., service acknowledged.
9 Jurisdictional statement by defendants under Rule 12, filed.
9 Statement of Defendants-Appellants directing attention to Par. 3 of Rule 12, filed.
9 Appeal bond, filed.
9 Order as to exhibits, filed.

[fol. 507]
1944
February 9 Stipulation and Defendants'-Appellants' Praecipe for consolidated transcript of record on joint appeal of Defendants Interstate Commerce Commission & Hudson & Manhattan Railroad Company from final decree granting permanent injunction and on separate appeal of defendant Hudson & Manhattan Railroad Company from or-

DOCKET ENTRIES—Continued

1944		
February	9	der granting interlocutory injunction, filed. of New Jersey & acknowledgement of service, filed.
	10	Notice to Attorney General for the State.
March	3	Acknowledgments of service of citation issued December 1, 1943, filed.

[fol. 508] Clerk's Certificate to foregoing transcript omitted in printing.

[fol. 509] PLAINTIFF'S EXHIBIT "2"

INTERSTATE COMMERCE COMMISSION

Investigation and Suspension Docket No. 4394

Passenger Fares of Hudson & Manhattan Railroad Company

Submitted April 20, 1943. Decided June 8, 1943

Upon further hearing conclusion in prior report, 227 I. C. C. 741, that a proposed 10-cent passenger fare of the Hudson & Manhattan Railroad Company between Jersey City and Hoboken, N. J., and Hudson Terminal, New York, N. Y., had not been justified, affirmed, but without prejudice to the establishment of a fare of 9 cents. Original conclusion and order modified accordingly.

John F. Finerty, E. Fontaine Broun, and John E. Buck for respondent.

Milton P. Bauman, Theodore C. Baer, Charles A. Rooney, Charles Hershenstein, Michael J. Bruder, John N. Platoff, Nicholas S. Schloeder, James C. Agnew, Irwin Rubenstein, John J. Fallon, James A. Coolahan, S. S. Eisen, Kenneth S. Carberry, William Regar, William J. Tomasso, and John P. Nolan for protestants.

David Ginsburg, Harold Leventhal, Harry R. Booth, W. Russell Gorman, and Julius L. Schapiro for Office of Price Administration.

William L. Bevan for Board of Public Utilities Commission, State of New Jersey.

Report of the Commission on Further Hearing

PORTER, Commissioner:

Exceptions to the report proposed by the examiner were filed by the New Jersey protestants and the Federal Price Administrator on behalf of the Director of Economic Stabilization, to which respondent replied. The issues were again orally argued before us. Our conclusions differ somewhat from those recommended by the examiner.

In the original report, 227 I. C. C. 741, decided July 11, 1938, we found that a proposed increase from 6 cents to 10 cents in the passenger fare maintained by respondent Hudson & Manhattan Railroad Company on its downtown line between Jersey City and Hoboken, N. J., and Hudson Terminal, New York, N. Y., had not been justified, but that an 8-cent fare had been justified. A fare of 8 cents became effective July 25, 1938, and has since been maintained. Upon petition of respondent for further hearing and for leave to publish and charge a 10-cent fare by reason of alleged changed conditions, the proceeding was reopened for further hearing, which has been had.

Our order accompanying the original report was upheld by the United States District Court for the District of New Jersey, *Hudson & M. R. Co.* v. *United States*, 33 Fed. Supp. 495, which was affirmed by the Supreme Court. *Hudson & Manhattan R. Co.* v. *U. S.*, 313 U. S. 98.

Thereafter, upon petition of rail carriers generally, seeking increases in their rates, fares, and charges, by order of January 21, 1942, we authorized a 10 per cent increase in passenger fares, which became effective February 10, 1942.[1] [fol. 510] Respondent's name was included in the list of those petitioners, and, therefore, it was also embraced in our permissive order, but this was done without respondent's authority or approval. The authority thus granted to respondent would have permitted an increase in its downtown fare from 8 cents to 9 cents, and in its uptown fare from 10 cents to 11 cents. Respondent did not avail itself of this authority, and by letter of February 18, 1942, advised us that it had no intention of doing so, and that it intended to petition for reopening of this proceeding and

[1] *Increased Railway Rates, Fares, and Charges, 1942*, 248 I. C. C. 545.

seek an increase in its downtown fare to 10 cents as the only means of alleviating its financial condition.

Facts set forth in the prior report will be restated here only where necessary to a clear understanding of the issues.

The conclusion in the original report that the proposed fare of 10 cents would be unreasonable was based upon two principal grounds: First, that "placed alongside the fares or charges of record, other than those on the city-subsidized New York subways, for somewhat similar transportation services on other lines in the New York metropolitan area, a maximum reasonable local fare on the downtown line of respondent may not exceed 8 cents," and second, that "the revenue results to respondent, especially over an extended period of time, would be more favorable under an 8-cent than under a 10-cent fare on the downtown line."

On pages 752 and 758-60 of the prior report are set forth numerous representative fare charged at that time by other railroads, or by busses and railroads, for commutation service to and from New York. All of those fares by railroad, except a few applying intrastate, were increased 10 per cent under our authority of January 21, 1942. That authority insofar as it related to commutation fares was revoked and such fares were required to be reduced to their former level by our order of April 6, 1943, pending further investigation of commutation fares generally.[2] The record has now been supplemented by additional comparisons between the proposed fare, which would apply for an average distance between Hudson Terminal and the respective New Jersey stations of 2.26 miles, and commutation fares maintained by other railroads at the time of the hearing, but since reduced by 10 per cent, of which the following are representative: A 12-trip weekly ticket of the Central Railroad Company of New Jersey between Jersey City or New York, on the one hand, and various New Jersey points, on the other, for distances from Jersey City of from 1.3 to 3.2 miles, averaging 9.2 cents per trip. A 60-trip monthly ticket on the same road between Newark and Newark Transfer, N. J., 2.5 miles, averages 7.3 cents. Between Newark and East Orange, N. J., 2.2 miles, on the Delaware, Lackawanna & Western Railroad, an unlimited-trip monthly ticket averages 7.9 cents for 60 rides. On the Pennsylvania between

[2] *Increased Railway Rates, Fares, and Charges, 1942*, I. C. C.

Market Street, Newark, and North Elizabeth, N. J., 4.4 miles, a 60-trip monthly ticket averages 9.1 cents. On the Erie a like ticket between North Newark and Walnut Street, Bloomfield, N. J., 2.3 miles, averages 8.4 cents, and on the Lehigh Valley between Newark and Townley, N. J., 2.7 miles, a similar ticket averages 7.3 cents.

The operating ratio of respondent for 1940, the latest year for which this data is of record, was about 53 per cent, while that of rapid-transit and bus lines in New York and New Jersey ranged from 79.35 to 96.16 per cent. In the same year respondent's passenger operating revenue per car-mile was about 69 cents, compared with from 12.22 to 33.46 cents per car-mile or bus mile on the rapid transit and bus lines in New York and New Jersey.

Respondent seeks to justify the proposed fare increase chiefly by reason of its alleged need for additional revenue. It points out that the conditions upon which the foregoing finding with respect to the future revenue results under an 8-cent as contrasted with a 10-cent fare was made are now materially changed, as will presently be discussed, and that [fol. 511] a 10-cent fare could now be expected to yield substantially greater revenue than the present 8-cent fare. It states that it has no other traffic which can be relied upon to augment its revenues to the necessary extent. There is nothing on this record to indicate that greater revenue could be obtained from an increase in any of respondent's other local fares.

The capital securities of respondent outstanding at the end of August, 1942, and allocable to the railroad properties were $88,456,877, of which $50,889,418 was funded debt and $37,557,459 stock. Funded debt consisted of $783,520 of first mortgage 4.5 per cent bonds, $26,572,948 of first lien and refunding 5 per cent bonds, and $23,542,950 adjustment income 5 per cent bonds. Since 1932 respondent has failed to earn its bond interest by varied amounts from $279,078 in 1934 to $655,164 in 1937, $1,113,350 in 1938, $806,048 in 1939, $817,424 in 1940, and $892,148 in 1941, so that the accumulated and unpaid interest on the adjustment income bonds as of December 31, 1941, was $5,494,727. No dividends have been paid on stock since 1933, and under the adjustment mortgage none can be declared until all current and accumulated interest on the income bonds has been paid.

The cost of its railroad properties less retirements as of August 31, 1942, is shown by respondent as $66,541,352. At the original hearing herein a civil engineer of long experience estimated on behalf of respondent that the reproduction cost of its railroad properties new, on the basis of 1914 prices, less depreciation, was about $68,273,000. The original cost less depreciation does not appear. In contrast, as stated, its capital securities outstanding in the hands of the public as of the end of August, 1942, allocable to railroad properties on the basis of the funded debt ratio employed by respondent of 83 per cent to railroad properties and 17 per cent to non-railroad properties, were $88,456,877. In *Local Fares of Hudson & Manhattan R. R.*, 58 I. C. C. 270, decided August 9, 1920, wherein fares of 6 cents downtown and 10 cents uptown were approved, we found the indicated cost of all of respondent's properties at that time to be about $60,000,000, divided $51,000,000 for the railroad properties and $9,000,000 for the non-railroad properties, reflecting a ratio of 85 to 15. That report shows that at the end of 1919 the securities outstanding or about to be issued totaled $124,860,274, of which $79,623,233 was funded debt and $45,237,041 stock. On the basis of the ratio there used, the portion of that total allocable to the railroad properties was $106,131,233, divided $67,679,748 funded debt and $38,451,485 stock. It thus appears that in the 23-year period from 1919 to 1942, the outstanding securities allocable to the railroad properties were reduced in net amount by $17,674,356, of which $16,780,330 was funded debt. Of the latter amount $7,238,000 was eliminated by the purchase of bonds at a discount in the last six years, $991,000 thereof in 1942 up to the end of August. A total saving has thus been effected of $6,495,696.92, which includes $1,473,310.43 in interest on bonds reacquired for a property amortization fund maintained by respondent from the date of acquistion in 1936 to August 31, 1942. A saving at the rate of $427,000 per year in interest charges was realized as the result of bonds held for this fund as of the latter date.

This practice of reacquiring bonds by an expenditure of assets, averaging in the last several years over $40,000 per month, through a so-called amortization fund is criticized by protestants on the ground that, according to their understanding, such funds used to purchase bonds are charged directly or indirectly to operating expenses. This fund has

been voluntarily created by the carrier and approximates the credit balance in the depreciation reserves. Only that part of such reserves relating to transportation property, averaging approximately $17,500 per month in 1942, is derived by charges to operating expenses. Respondent explains that the amortization fund is set aside for the purpose of providing assets for replacements and rehabilitation of the property, and that such assets in that fund as have not [fol. 512] been needed for that purpose have been used to reacquire some of its bonds. There is no indication that the amounts thus set aside for this fund are greater than warranted for the purposes for which the fund was created.

Most of respondent's stock was distributed initially with bonds as a bonus. In the report last above referred to, page 276, is the statement that when respondent was then asking our approval of the increased fares therein authorized, it was "not seeking additional revenue for the purpose of paying dividends on the stock, but only to provide payment of interest on its funded debt." Nevertheless, dividends were paid on its preferred stock each year from 1923 to 1933, inclusive, and on its common stock each year from 1925 to 1932, inclusive. The total dividends thus paid aggregated $2,751,444.73 on the preferred stock and $8,651,051.10 on the common stock, or a total of $11,402,495.83. The payment of those dividends resulted in income deficits in 1931, 1932, and 1933 of $22,334.65, $547,184.99, and $348,295.16, respectively. Protestants insist that, instead of these dividend payments on stock most of which represented no investment, at least a major portion and perhaps all of those assets should have been used for the reduction of respondent's indebtedness, and that had this been done respondent might not *how* be here seeking additional revenue by a fare increase. Assuming that respondent could then have repurchased sufficient of its 5 per cent bonds at face value, and had all of those dividend payments been so applied, the present annual bond interest would be less by about $570,000.

Under the existing 8-cent fare, established July 25, 1938, respondent states that it has earned greater revenue, both gross and net, each year since 1938 than it would have earned under its former 6-cent fare. It estimates that in 1941 the gross revenue under the 8-cent fare was $236,210 greater than it would have been under a 6-cent fare during the same period, assuming that under a 6-cent fare the diver-

sion of passengers which was incident to the increase to the 8-cent fare had not occurred. That increase in gross revenue, however, was more than offset by increases in costs of labor and taxes compared with 1937, the year prior to the establishment of the 8-cent fare.

Total operating expenses increased in 1941 over 1937 by about $205,000, or 6.3 per cent, although the number of car-miles was reduced by 5.27 per cent. The major item responsible for the increase in operating expenses was a 12 per cent increase in labor costs. Expenses for materials and supplies and operating expenses other than labor decreased $17,000, or 1.45 per cent. Taxes increased approximately $72,000, or 8.45 per cent. The increase in labor costs was about equally divided between the uptown and downtown lines, the total operating expenses in both 1937 and 1941 having been divided about equally between those two lines; but the increase in taxes applied more heavily to the downtown line. Of the total increase of about $72,000 in taxes, $48,000 applied to the downtown line and $24,000 to the uptown line.

Traffic decline from 77,989,857 passengers in 1937 to 65,847,289 in 1941, or by 15.57 percent, which respondent claims resulted from the same general factors which we found in our original report were responsible for the reduction in the period from 1929 to 1937. Those factors were the continuance of the economic depression, increased competition of private automobiles and motor busses using the George Washington Bridge and the Lincoln and Holland tunnels, and, later, the closing of the Thirty-third Street station on respondent's uptown line between December 25, 1937, and September 24, 1939, necessitated by the construction by the City of New York of its Sixth Avenue subway line. The loss of passenger traffic from 1937 to 1941 continued despite the fact that in 1939 and 1940 respondent's traffic was augmented on its uptown line during the period of the New York world's fair, and despite an increase in the joint traffic with the Pennsylvania between Newark and Hudson Terminal in the latter part of 1940.

The conditions which we found motivated the traffic de- [fol. 513] cline prior to 1938 have now materially changed. The incidence of war conditions within the last year or more has arrested the decline of respondent's traffic and actually augmented it. Many private automobiles as a con-

petitive factor have been eleminated by restrictions on the purchase of automobiles and tires, and by rationing of gasoline. War industries in the New Jersey area tributary to the respondent's lines have been expanded and new ones established, resulting in a substantial increase in the employment of war workers. Numerous army cantonments in this area have been erected and are being expanded. Moreover, the establishment of offices for war industries, government departments, and military and naval services in downtown Manhattan have increased the number of office workers who patronize respondent's line to and from Jersey City. There is no dispute concerning these altered conditions.

Concurrently, a substantial increase in operating costs has occurred incident to the conditions already described. As a result of mediation by the National Mediation Board, about 80 percent of respondent's employees have had their aggregate wages increased since 1941 by approximately $181,000 per annum, and respondent estimated that increases would soon be made in the wages of the other 20 percent, the total annual increase aggregating about $226,500. Furthermore, respondent states that it must afford protection to safeguard its property from possible contingencies incident to war conditions, at an estimated additional cost of about $20,000 per month, and that amount is being set aside for the purpose. Costs of materials and supplies have recently increased somewhat and are expected to continue to mount. Also, an increase in federal taxes, and perhaps in State taxes, is anticipated. The constitutionality of the New Jersey railroad tax law of 1941 as amended in 1942, is being contested by the City of Jersey City and other communities, and certain taxpayers. Should the 1942 amendment be held to be unconstitutional a heavy tax increase will be imposed by the State of New Jersey. Aside from these contingent increases in operating costs for materials, supplies, and taxes due to the war, respondent's estimated operating costs for labor and for a reserve against war hazards will aggregate at least $466,500 per year in excess of such costs in 1941. Based on the foregoing facts and estimates, respondent points out that under present fares it would be necessary for its annual traffic to increase by about 30 percent over that of 1941 in order to meet the current interest requirements on its bonded indebtedness.

Studies of one of respondent's witnesses indicate that should petitioner have availed itself of the benefits of our order of January 21, 1942, and increased the downtown fare to 9 cents and the uptown fare to 11 cents, the increase in both gross and net revenue realized would have been less than under an increased downtown fare of 10 cents without an increase in the uptown fare. These studies are based upon the probable maximum diversion which it is estimated would have taken place under the conditions affecting the traffic.

The fare increase here proposed is 25 percent, as compared with 66⅔ percent, or from 6 to 10 cents, at the time of the original report. On the basis of an assumption made in that report, that an increase to 8 cents would result in a diversion to other transportation facilities of 15 percent of its traffic, we estimated that respondent would earn an annual net income available for bond interest of about $2,260,817. This amount was approximately $541,000 less than the amount which we found would be necessary to meet increased operating expenses, increased taxes, and current interest on the railroad portion of the outstanding bonds. As will later appear, the assumption of a 15 percent diversion approximates that which actually occurred, but as stated, since then operating expenses and taxes have substantially increased beyond those anticipated at that time.

Respondent would not commit itself to any particular percentage of probable traffic diversion under the proposed fare. However, judging from the effects of the increase from [fol. 514] 6 to 8 cents in 1938 and the traffic increase in the first 8 months of 1942, certain deductions were made based upon an analysis of the factors which have affected its traffic. The actual diversion of passengers resulting from the increase from 6 to 8 cents, according to respondent, approximated 16.5 percent. Its total traffic for the first 8 months of 1942, the latest period for which the details were available at the time of the further hearing, increased 9.7 percent over the same period of 1941. That increase becomes 10.8 percent if the month of April 1942, during the last five days of which traffic was disrupted by derailment at Exchange Place station, be excluded. Excluding April, respondent's local downtown traffic for the same period increased 6.3 percent, and its joint-service downtown traffic, 34.1 percent. As stated, the total number of passengers carried by respondent in 1941 was 15.57 percent less than

in 1937. Based upon the foregoing experiences, and in the light of present economic conditions, a witness for respondent estimated that an increase in the fare from 8 to 10 cents would result in a diversion of not more than 12 percent of the 1941 traffic, and in view of the nature of the recent increase in traffic he inclined to a percentage decrease less than 12 percent, with a possibility that the volume diverted might be offset entirely by new traffic. Two factors which tended to increase the percentage of diversion when the downtown fare was increased from 6 to 8 cents have been eliminated. One was the possibility of direct bus service between metropolitan New Jersey and downtown Manhattan in competition with respondent's downtown line, mentioned in the prior report. We denied applications for certificates to inaugurate such service in *New Jersey-New York Bus Applications*, 23 M. C. C. 219. The other factor is the substantial curtailment of private car competition due to war conditions.

At the oral argument counsel for respondent stated, without objection, that for the year 1942 the increase over 1941 was 11.2 percent in the total number of passengers carried, 10.4 percent in operating revenue, and 33.7 percent in net income available for bond interest; and by stipulation it was there made to appear that in January and February 1943 the number of passengers further increased over the corresponding months of 1942 by 14.6 and 19.1 percent, respectively, thus reflecting an increase over January and February 1941 of 23.5 and 29.2 percent, respectively, and for the 2 months combined of 26.2 percent.

Protestants' testimony is composed largely of an attempt to fathom the effect which the proposed increase might have upon respondent's revenues. One witness estimated that under a 10-cent fare respondent would either lose net revenue by diversion to competing forms of transportation or the relatively small gain in net revenue would be so disproportionate to the gross revenue that the 2-cent fare increase would impose an undue burden upon respondent's patrons.

They estimate that the proposed fare would cause a minimum diversion of 25 percent of 1941 normal downtown traffic, or of 7,931,693 passengers. This estimate is predicated upon the results experienced under the increase from 6 to 8 cents in 1938, and particularly upon the availa-

bility of lower fares by competing lines. The lowest of the fares of New Jersey transportation companies operating to and from respondent's stations in New Jersey is 5 cents, and that fare used in conjunction with respondent's present 8-cent fare results in 13 cents one way or 26 cents round trip. Every point in the 26-cent Hudson County area can be served to and from New York by transportation agencies offering service at a total round-trip cost of 20 cents, and that fact is said to have had no small part in the decline of respondent's patronage. If the 10-cent fare should become effective, those passengers who live within walking distance of respondent's stations would not longer find the low-cost service to be over its downtown line, for they would have available to them busses to ferries at bus-ferry costs no higher than those of respondent's total [fol. 515] charge, namely, 5 cents bus fare and 5 cents ferry charge. Where such persons availed themselves of multiple-trip tickets offered by ferries their costs would be still lower. Multiple-trip tickets for use on the Lackawanna's ferry service average 2.9 or 3 cents per ride, so that passengers using that service have available to them through transportation to New York at a total of 7.9 or 8 cents per trip, composed of 5 cents by bus and 2.9 or 3 cents by ferry. In 1941, 16,243,490 passengers used the facilities of the Lackawanna ferry service to New York at no greater cost than to the New Jersey terminals of that road, the price of the tickets being the same to both sides of the river. It is stated that, inasmuch as a substantial number of people who use the service of the Lackawanna now transfer at Hoboken to the facilities of respondent and pay an 8-cent fare to downtown New York, an increase in the latter fare to 10 cents would discourage patronage of respondent's line. Protestants state that the foregoing applies with equal force to patrons of the Erie, which in 1941 transported 12,408,370 passengers in a corresponding service.

They emphasize that passengers arriving at Exchange Place station by foot, bus, or trolley car would have the choice of using respondent's 10-cent facilities to downtown New York or the Pennsylvania Railroad ferry at 5 cents. Also, an increase in the downtown fare to 10 cents for passengers who now use connecting-line bus service to respondent's stations would make more attractive the steam railroad commutation fares, which have already absorbed a substantial portion of the traffic diverted from

respondent. With the resulting greater differences between such fares and those by way of respondent's downtown line, protestants contend that residents of Jersey City would become "fare conscious," and there would be a tendency for such passengers to move to suburbs served by steam railroads. Under the 10-cent fare it is urged that the necessity would become greater for Jersey City and other municipalities to accede to the demands of the public to reroute bus facilities to the ferries so as to make available the lower transportation costs to and from New York. Any increase in fare between Hudson County and New York would injure industries which have located at Jersey City and other nearby points, and adversely affect the development of additional industries in that area. They surmise that should respondent increase its downtown fare, bus-ferry service might be established at a somewhat lower cost with equally as prompt service, and traffic might be diverted from respondent in consequence of this substituted service. They point out that, should respondent lose more than 20 percent of its downtown passengers under the proposed fare, its revenue would be less than under the present fare.

Protestants advocate the establishment by respondent of certain monthly commutation fares to take the place of the present 8-cent downtown and 10-cent uptown fares. Based upon the use of such fares and upon alleged past and present trends, they estimate that respondent's patronage might be expected to increase from about 66,000,000 passengers in 1941 to about 96,350,000 in 1943, or by 46 percent. Detailed figures are set forth, indicating that under this estimate a gross revenue of $7,263,900 might be expected in 1943, which would exceed by $1,801,900 the gross revenue in 1941. To reach these results protestants estimate, for 1943, 20,000,000 downtown joint-service passengers to and from the Pennsylvania at a divisional revenue of 7.64 cents, 6,000,000 uptown joint-service passengers to and from the Pennsylvania at a divisional revenue of 8.64 cents, 1,500,000 Pennsylvania Exchange Place passengers, 350,000 New York intrastate passengers and 3,500,000 New Jersey intrastate passengers at 5 cents, 20,000,000 uptown local passengers at an average fare of 9 cents,[3] and 45,000,000 down-

[3] These average fares are arrived at by the use of the suggested commutation fares.

town local passengers at an average fare of 7 cents.[3] The estimated gross revenue under such a patronage would result in $443,251.68 more than necessary to meet the estimated increased costs and all of the allocable bond interest for 1943.

[fol. 516] Protestants urge that the increase from 6 to 8 cents imposed an additional revenue burden on local passengers out of all proportion to the revenue gains to respondent. Thus, for 3.5-year period July 26, 1938, to December 31, 1941, the 8-cent fare produced revenue in excess of that which would have been realized at the 6-cent fare of $327,292, but required the decreased passenger traffic to pay an additional amount of $2,244,225. Respondent's railway operating expenses in 1941 increased over 1937 by $204,936, and taxes by $71,825, or a total increase of $276,761. The added cost to the 1941 downtown passengers as a result of the 2-cent fare increase aggregated $634,535, or $357,774 more than the total system increase in operating costs and taxes.

Moreover, protestants state that some of the uptown traffic has been lost by reason of the 8-cent fare, which has had a tendency to offset the gains from that fare on the downtown traffic. The revenue gain over 1937 from local traffic on the downtown line was only $33,132 in 1940 and $22,941 in 1941. During those years the local uptown traffic aggregated approximately 1.5 million passengers less than in 1937. Accordingly, protestants argue that to completely offset the 1940 and 1941 revenue gains it is only necessary to regard 330,000 uptown passengers out of the total decline of 1,5 million as having been collaterally affected by the diversion resulting from the 8-cent fare. Similar results are predicted if the latter fare is increased by another 2 cents.

It is contended by protestant that to charge the same fare of 10 cents on the downtown line as on the uptown line would be unduly prejudicial to downtown passengers and unduly preferential of uptown passengers. In support of this contention they point out that the Hudson Terminal is 1.25 miles from Exchange Place, 1.79 miles from Grove and Henderson Streets, 3.20 miles from Journal Square, 2.08 miles from the Erie station, and 2.96 miles from Hoboken, an average of 2.26 miles, whereas the distances between Thirty-third Street on the uptown line and New Jersey stations average 4.24 miles and reflect a minimum of 3.43 miles and a maximum of 5.71 miles. The average scheduled running time on the downtown line is 6.4 minutes as against

16.2 minutes on the uptown line. The daily average number of passengers per car is about 39.3 downtown and 24.2 uptown. In the original report, page 754, we observed that—

> From the standpoint of the cost of the service to respondent, therefore, as well as of the value of the service to the passenger, it would seem that if 10 cents is a maximum reasonable fare for the uptown service, the reasonable fare for the downtown service must be something less than 10 cents.

Protestants repeat their charge, referred to in the prior report, of inefficiency of respondent's management in failing sufficiently to advertise its service and to meet competitive forms of transportation or to cooperate with other transportation companies for the purpose of augmenting its traffic. They are particularly insistent that the downtown local traffic should not be burdened with the entire revenue increase sought by respondent in order to meet the interest on its bonds, and that respondent should be expected to seek any increased revenue which it may need from the traffic interchanged with the Pennsylvania in accord with the following admonition embodied in the prior report, page 762:

> If respondent should feel impelled to seek a further increase in revenue, it should consider doing so on interline traffic.

The interline traffic there referred to is that interchanged with the Pennsylvania both at Exchange Place and at Journal Square, Jersey City, the latter in the joint rapid transit service in connection with the Pen-sylvania to and from Newark and intermediate points. The number of passengers interchanged at Exchange Place has remained fairly constant for a number of years and in 1941 was 1,393,734, all of which were transported for the Pennsylvania by respondent to and from downtown Manhattan at a division [fol. 517] of 5 cents per passenger agreed upon between the carriers in 1903. This service requires two terminal services by respondent, the same as on local traffic. As to this devision we said in the prior report, pages 755 and 756:

> Thus, such Pennsylvania Railroad passengers entering New York can reach Hudson Terminal at a lower rate of fare than can the Erie or Lackawanna

passengers and the division paid for such trans-Hudson service by the Pennsylvania is only one-half of the local fare herein proposed for such service, even though the great volume of the local traffic moves during the peak periods and undoubtedly with much less comfort and convenience to the passenger than is true of many, if not most, of the trunk-line passengers transferred at Exchange Place, a large proportion of whom travel at other than peak periods. Moreover, out of the revenue accruing to respondent from the 5-cent division, respondent pays back to the Pennsylvania 46 per cent thereof for easements granted by the latter for subsurface rights at Exchange Place. In 1937, that payment amounted to $30,964.

The joint rapid transit passengers of the Pennsylvania are transported by respondent to and from Journal Square for a division of 7.64 cents when to or from Hudson Terminal and 8.64 cents when to or from stations on the uptown line, including that at Thirty-third Street, where the Pennsylvania Terminal is located. In 1941 the number of passengers interchanged in this rapid transit service was 14,261,573, an increase of 7.2 per cent over 1940, and a decrease of 5.2 per cent under 1937. Of that number 11,354,062 were downtown and 2,907,511 uptown patrons. As a result of the war, the traffic in this joint service has increased steadily and much more rapidly than that in any other service of respondent, so that in August, 1942, it was greater by 41 per cent downtown and 15.1 per cent uptown than in the same month of 1941.

Respondent's reasons for its reluctance to pursue the course suggested in the foregoing quotation from page 762 of the prior report may be summed up as follows: When the contract between respondent and the Pennsylvania with respect to this joint service was revised in 1932, the Pennsylvania agreed to expend large sums for a new terminal at Newark, new bridges, and other improvements, including important changes at Journal Square station, so that the divisions of the joint fares received by respondent do not represent the entire consideration. That contract provides for modifications up or down in the divisions so as to reflect changes in the joint fares occurring after August 31, 1932, although, according to respondent, this does not necessarily contemplate changes in divisions to reflect every

change in the fare, since the divisions as fixed were based to some extent upon the average fare or fares in the joint service. On June 1, 1936, as a part of the general reduction in basic passenger fares from 3.6 to 2 cents in coaches, the one-way fare between Newark and New York was reduced from 33 cents to 20 cents, and although since then that fare has not risen above 24 cents and is now 22 cents, the Pennsylvania has made no demand that respondent accept a reduced division of that fare. Also, when the downtown fare of respondent was increased from 6 to 8 cents in 1938, the Pennsylvania sought no part of such increase in the form of increased divisions from the joint rapid transit fares.

While, as stated, the one-way fare between Newark and New York was reduced from 33 to 20 cents on June 1, 1936, the round-trip fare remained unchanged at 40 cents from March 1, 1920, to July 25, 1938, when it was increased to 48 cents. On September 1, 1938, it was reduced to 44 cents, on March 25, 1940, to 40 cents, and the general increase of February 10, 1942, made it 44 cents, which is the present fare. The great bulk of the rapid transit traffic moves at the round-trip, and not the one-way fares. No effort has been made by respondent to obtain the consent of the Pennsylvania to increased divisions of the round-trip fares, in accord with the provision of the contract above referred to, [fol. 518] the reason given being that common business ethics, aside from any consideration of the practical questions involved, precluded any such efforts on its part. Respondent takes the position that it is "wholly impractical" to seek greater divisions of the joint fares, at least so long as its downtown fare remains at 8 cents. Under the latter fare it performs two terminal services, whereas under the joint fares it performs only one terminal service. That fact, respondent believes, might militate against the Pennsylvania agreeing to an increase in the present downtown division of 7.64 cents. However, if the downtown fare were increased to 10 cents, respondent would then regard itself as in a better position to seek an increase in the downtown division, at least to 8.64 cents, the same as on the uptown line.

Respondent's present divisions from the rapid transit service have remained unchanged since September 1, 1923. For many years the downtown division of 7.64 cents ex-

ceeded the downtown local fare of 6 cents by 1.64 cents, but since July 24, 1938, the local fare has been higher than the division. The distance from Hudson Terminal to Market Street, Newark, is 8.89 miles, of which 36 per cent is over the line of respondent. The division of 7.64 cents is only 34.7 per cent of the present joint fares. For respondent's service from Journal Square to Hudson Terminal, 3.20 miles, it receives 2.39 cents per mile from the Pennsylvania, but to Hudson Terminal from the Erie station, 2.08 miles, and from the Lackawanna station, 2.96 miles, the Erie and Lackawanna passengers must pay the full local fare, averaging, respectively, 3.85 and 2.70 cents per mile under the present fare, and 4.81 and 3.38 cents per mile under that proposed. If no more than the 10 per cent increase as made in the joint fares were reflected in the divisions to respondent, its revenues would be increased by about $150,000 a year.

Of the trunk-line railroads reaching the Jersey shore, the Pennsylvania is the only one having joint-line arrangements with any railroad serving Manhattan, and respondent and the Pennsylvania have the only two trans-Hudson tunnels available for rail traffic. Other important benefits derived by the Pennsylvania from its joint arrangements with respondent are sufficiently detailed on page 756 of the prior report.

The Price Administrator offered no evidence, but on brief filed in behalf of the Director of Economic Stabilization he takes the position that respondent's revenues under its present 8-cent fare, judging from net income for the first 8 months of 1942, will exceed by 24.6 per cent those for the same period of 1941, and that this estimated increase in net income would virtually be the equivalent of that contemplated by us at the time of our former report. He further estimates that should respondent retain its present volume of traffic at present fares, the net income available for interest at the end of 1942 would approximate $1,976,324, which would be only $564,728 less than the total interest requirements for the bonds outstanding as of August 31, 1942, including 5 per cent on the adjustment income bonds, and asserts that this estimate includes full allowance for the increased operating expenses and taxes claimed by respondent. The amount available for the adjustment income bonds under such calculations would be equivalent to interest thereon at the rate of 2.601 per cent. The figures from which these conclusions are reached were ascertained

by dividing by 8 the actual net income of $1,317,549 available for bond interest in the first 8 months of 1942 and multiplying the result by 12. The resulting figures for the last 4 months of 1942 do not reflect such factors as increased labor costs actually incurred, and special operating expenses occasioned by the war. Respondent points out that if the portion of the increased labor costs on an annual basis omitted in the foregoing analysis, namely, $196,700, plus the omitted annual war contingency reserve of $240,000, be deducted from the annual net income available for bond [fol. 519] interest of $1,976,324 as calculated by the Price Administrator, the result, $1,539,624, would be $1,001,428 less than the total interest requirements of respondent on bonds outstanding on August 31, 1942, instead of $564,728 as represented by the Price Administrator. As will later appear, neither of these results accords appropriate consideration to the accelerated increase in the number of passengers carried and the railroad operating revenue on the lines of respondent in June, July, and August, 1942, and in January and February, 1943, the latest months for which the results are of record.

The Price Administrator argues, in substance, that to seriously measure respondent's financial condition by whether it is able to earn sufficient to pay interest on its outstanding obligations assumes a false premise; that respondent, as a matter of right, is not entitled to earn full interest on all of its bonds; that interest on the adjustment income bonds is not bond interest in its usual meaning; that these income bonds are wholly different from the outstanding first mortgage and first lien and refunding bonds; and that while it is true that interest on the income bonds is cumulative, the payment of the accrued interest is a contingent liability. The interest on these income bonds is to be paid annually only if and when earned. However, the bonds and the accumulated interest become payable February 1, 1957, at which time both the bonds and the accumulated interest, if any, will become a fixed liability enforceable by foreclosure.

The Emergency Price Control Act of 1942, as amended by the Stabilization Act of October 2, 1942, is designed in general to prevent inflation or increased living costs. It provides, however, that nothing in that act shall be construed to authorize regulation of rates charged by any com-

mon carrier or other public utility. An executive order of the President, dated April 8, 1943, reads in part as follows:

> The attention of all agencies of the Federal Government, and of all State and municipal authorities, concerned with the rates of common carriers or other public utilities, is directed to the stabilization program of which this order is a part so that rate increases will be disapproved and rate reductions effected, consistently with the Act of October 2, 1942, and other applicable federal, state or municipal law, in order to keep down the cost of living and effectuate the purposes of the stabilization program.

The Price Administrator urges that successful control of threatened increases in rates is now wholly dependent upon agencies such as the Commission, and that it is our primary responsibility to prevent inflationary rates and charges in this field, and to forestall unnecessary increases in the cost of living which would result from higher rates and charges. The proposed increase, when coupled with other increases in the cost of living, he maintains, would "commence the rise of that spiral which, if not arrested, must lead" to inflation. He takes the position that any increase in rates or fares, unless clearly shown to be necessary to preserve existing facilities under current conditions, would be in conflict with the Administration's price control program, and that since the increase here proposed would have a substantial bearing upon the cost of living in the communities served by respondent, it would be contrary to the Stabilization Act and should be condemned.

Respondent urges that an increase of 2 cents in the downtown fare could neither result, nor substantially tend to result, in inflation or increased living costs within the purview of the Emergency Price Control Act; that any conceivable tendency toward either inflation or increased living costs would be so negligible that it must be deemed not to be within the concern of that act; and, moreover, that an increase in passenger fares, unlike an increase in freight rates, would ordinarily tend toward deflation rather than inflation, as the initial effect of such increase would be to divert money and, therefore, purchasing power from the commodity market. The proposed increase of 2 cents

[fol. 520] for a single ride and 4 cents for the round trip would result in a maximum additional cost of about $1.04 per month and $12.48 per year to daily passengers making round-trip use of respondent's line six days every week. This maximum would apply, in general, only to the peak-hour passengers who use the downtown line daily, and who comprise less than 45 percent of the passengers using this line.

Major findings and conclusions. Increased expenses, of course, do not necessarily warrant increased fares or rates, for a sufficient rise in the traffic volume may produce the same, or even greater, net revenue than before such increased expenses were incurred. Respondent's annual operating costs have increased since 1937 by about $671,500 and since 1941 by about $466,500, including the war contingency reserve of $240,000 a year for protection against extraordinary war hazards, which we may accept as reasonable, even though none of it had been used at the time of the further hearing, or more than 9 months after the entrance of this country into the war, and only $20,000 thereof (used to defray the portion not covered by insurance of the expenses occasioned by the derailment at Exchange Place in April, 1942, previously referred to) had been used at the time of the oral argument in April, 1943. Taking into account those increased operating costs, together with the augmented traffic and revenues since the beginning of the war, we must next determine the probable future revenue results on respondent's lines under the present and the proposed fares.

In the first eight months of 1942, as stated, respondent's total traffic increased 9.7 percent over the same period of 1941. At the same time its railroad operating revenues increased 9 percent, and net income available for interest on bonds allocable to railroad properties increased 24.63 percent. However, these results include increased labor costs effective July 1, 1942, for only two months, and do not include any of the additional costs incident to the special protection needed to safeguard the property against war hazards. But even of those omissions be taken into account, the result may not be accepted as indicative of what may be expected in a typical war year. This becomes apparent upon noting that in the respective months of 1942 the number of passengers carried by respondent increased over the corresponding months of 1941 by 7.8 percent in January,

8.5 percent in February, 8.6 percent in March, 6.8 percent in May, 12.6 percent in June, 16.3 percent in July, and 15.9 percent (estimated) in August. In the latter month the railroad operating revenue increased 15.62 percent, and net income available for interest on the railroad portion of the bonds increased 23.55 percent.

As stated, in the year 1942 the number of passengers carried increased 11.2 percent and the net income available for bond interest 33.7; and in January and February, 1943, the number of passengers increased over the corresponding months of 1941 by 23.5 and 29.2 percent, respectively, or a combined increase of 26.2 percent. Judging by what occurred in 1942, the increase in the operating revenue in January and February, 1943, was probably slightly below the increase in traffic. No reason appears, however, for assuming that the increase over 1941 in revenue from passenger fares in any future war year will be less than about 23 percent, and we may regard such an assumption as reasonable. Based upon a probable annual revenue from passenger fares of $6,718,086, which is 123 percent of that in 1941, and upon total operating expenses on the 1941 basis at such a traffic level of $3,476,047, as estimated by respondent, plus the increased labor costs since 1941 of $226,500, the war contingency reserve of $240,000, and increased taxes (based on the percentage increase in August, 1942 over August, 1941) of $60,130, together with a combined net charge on the 1941 basis of $533,949 for all other operating items and taxes, as estimated by respondent, we arrive at a probable annual net income available for interest on the bonds allocable to the railroad properties of $2,181,460. Deducting the annual interest of $1,363,906 on the first two [fol. 521] bond issues would thus leave about $817,554 for payment on the adjustment income bonds, equivalent to interest thereon at the rate of 3.473 percent. In the prior report, as stated, we estimated a net income in future years of about $2,260,817.

Economic and competitive conditions affecting respondent's traffic have, of course, changed materially since the prior decision, and a downtown fare of more than 8 cents would not now have as serious an effect in traffic diversion as would have been true in 1938. So long as the present abnormal conditions by reason of the war continue, it seems clear that a downtown fare of 10 cents, as proposed, would yield to respondent substantial additional net revenue. In

June, July, and August, 1942, the latest months for which the details are of record, the percentage increase in the number of local passengers on the downtown line as compared with the corresponding months of 1941 was 55.1 percent of the contemporaneous increase in respondent's total traffic. We may assume that the same ratio will hold true in future war periods. The increase over 1941 in the downtown traffic and revenue will thus be about 12.67 percent. Assuming such an increase in the number of downtown local passengers by reason of the war and, as does respondent, a 12 percent diversion in the 1941 downtown traffic under a 10-cent fare, and allowing for reduced out-of-pocket expense, on the basis employed by respondent, by reason of the smaller traffic volume than under an 8-cent fare, the resulting net income available for bond interest under a fare of 10 cents would approximate $2,564,144. After payment of the interest on the first two bond issues, the remainder would be $1,200,238, or $23,090 more than necessary to meet the full 5 percent interest on the income bonds. Moreover, if respondent's estimate of a 16.5 percent diversion by reason of the 2-cent fare increase in 1938 be accepted as approximately the actual, it is at least doubtful whether a diversion of as much as 12 percent should be anticipated following a like fare increase made under present conditions.

What has just been said makes it advisable to approximate the revenue results which may be expected if the downtown fare were made 9 cents. Assuming an increase in the 1941 downtown local traffic due to the war of 12.67 percent, a 5 percent diversion by reason of a 1-cent increase in the fare, and making due allowance for the reduced out-of-pocket expense because of such diversion, the resulting net income available for bond interest would approximate $2,404,502. After payment of the interest on the first two bond issues, this would leave for application on the income bonds $1,040,596, or at the rate of 4.420 percent.

The avowed purpose of respondent in seeking the proposed fare increase is to meet increased operating expenses and the interest on its bonds. This it should be permitted to do if it can be done without casting an undue burden upon any particular traffic. The increased operating expenses, being general in nature, should be borne, where practicable, by the entire traffic of the railroad. Accepting as a fact respondent's statement that no additional revenue

of any consequence could be expected from an increase in its fares other than that on the downtown line, it becomes important to observe that, while respondent's railway operating expenses and taxes in 1941 were greater by $276,761 than in 1937, the latest year of record at the time of the prior decision, its revenue from the traffic interchanged with the Pennsylvania was $68,527 less in 1941 than in 1937. Revenue from the downtown local traffic, on the other hand, increased in that period by $22,941. Bearing in mind that this modest increase was achieved at an increased fare of 2 cents, and under general economic conditions in the two years which may be said to have been fairly comparable, it would seem that under normal circumstances the saturation point in increased fares on that traffic has about been reached. While there can be little doubt that under present conditions a further increase in this fare, even to 10 cents, would result in additional net revenue, we are convinced [fol. 522] that it would be unreasonable to expect the entire burden of the revenue increase to be borne by the downtown local passengers, and that a substantial portion thereof should be sought through increased divisions in the interline traffic. This view is strengthened by the fact that in August, 1942, for example, the interline traffic increased 33.1 percent, as compared with an increase of only 9 percent in the downtown local traffic and of 15.9 percent in respondent's total traffic.

Moreover, while the fares and charges for commutation service of carriers serving the New York metropolitan area are not uniform, those of carriers other than respondent portrayed on this record afford stronger support, differences in transportation services considered, for either an 8-cent or a 9-cent fare than for a 10-cent fare on the downtown line of respondent. As stated, if respondent had availed itself of the authority granted by our order of January 21, 1942, in *Increased Railway Rates, Fares, and Charges, 1942, supra*, the downtown fare would now be 9 cents. An increase to that amount would be consistent with that decision, for respondent has been affected by the same conditions making for higher operating expenses which we took into account in authorizing a general increase in railroad passenger fares.

It seems to us that an increase of 1 cent in respondent's downtown fare is unlikely to have any inflationary effect, and that the effect thereof upon the cost of living, while a

factor to be given consideration, will be so slight, a maximum of about 12 cents a week and 52 cents a month per passenger, as to be negligible. We believe, therefore, that the increased fare herein approved will not be in conflict with the Emergency Price Control Act of 1942, as amended.

Based upon the foregoing facts, we find that in order to meet increased operating expenses and the interest on its bonds, respondent is in need of additional revenue beyond that which may be expected from its present fares and divisions, and that a portion of such additional revenue can reasonably, and should, be obtained by increasing its downtown fare from 8 to 9 cents.

Increases in rates or fares based upon abnormal conditions of a transitory nature should not be made permanent. The greater portion of respondent's increased operating costs, namely, the war contingency reserve of $240,000 per year, is wholly attributable to a condition which may be expected to be eliminated after the war, and that amount is greater than the additional revenue which may be anticipated from the increased fare herein approved. Accordingly, the increased fare should remain in effect for no longer than the duration of the war and six months thereafter. It should be understood that if at any time prior to the expiration of that period, by reason of changed conditions or otherwise, the revenue results to respondent should prove to be materially different from those estimated in this report, any party to this proceeding is of course at liberty to seek to bring the facts with respect thereto to our attention at a further hearing.

We affirm our original conclusion herein, that the proposed fare of 10 cents would be unjust and unreasonable, and has not been justified. We further conclude that an increased local fare of 9 cents on respondent's downtown line has been justified, for application during the remaining period of the war and six months after its termination. Our prior conclusion and order, to the extent that they are in conflict herewith, are hereby modified accordingly. No order is necessary.

MILLER, Commissioner, concurring in part:

I concur in the finding of the majority insofar as it gives approval to increasing the present fare to 9 cents. In my

dissent to the prior report, 227 I. C. C. 741, I expressed the view that the record there amply justified a finding that the proposed fare of 10 cents would be reasonable and lawful [fol. 523] for the services performed by this respondent. Nothing is presented as a result of the further hearing to cause me to change that opinion.

Moreover, I see no sufficient reason for here limiting the time during which the 9-cent fare shall remain in effect.

I am authorized to state that Commissioners Mahaffie and Patterson join in this expression.

Commissioners Aitchison did not participate in the disposition of this proceeding.

By the Commission.

W. P. Bartel, Secretary. (Seal.)

[fol. 524] PLAINTIFF'S EXHIBIT "3"

INTERSTATE COMMERCE COMMISSION

Investigation and Suspension Docket No. 4394

Passenger Fares of Hudson & Manhattan Railroad Company

Submitted October 14, 1943. Decided November 2, 1943

1. Passenger fare on an alternative basis of 11 tokens for $1 or of one dime in cash, for local interstate application on the downtown line of the Hudson & Manhattan Railroad Company, found reasonable and otherwise lawful for the remaining period of the war and 6 months thereafter, upon condition that the same alternative basis be maintained on the uptown line. Conclusions in report on reconsideration affirmed. Prior reports, 227 I. C. C. 741, 255 I. C. C. 649, 256 I. C. C.

2. Motion for further reopening of proceeding overruled.

Appearances shown in the first report on further hearing.

Second Report of the Commission on Further Hearing

PORTER, *Commissioner:*

In the first report herein, 227 I. C. C. 741, we found on July 11, 1938, that a proposed fare of 10 cents for local

application on the downtown line of the Hudson & Manhattan Railroad Company, hereinafter called respondent, had not been justified, but that a fare of 8 cents had been justified. The latter fare became effective July 25, 1938, and is still maintained. Respondent was not satisfied with that decision and appealed it to the courts, wherein our action was sustained. *Hudson & Manhattan R. Co.* v. *United States*, 33 Fed. Supp. 495; affirmed, 313 U. S. 98.

Upon petition of respondent dated July 27, 1942, reciting that conditions had materially changed since the prior decision, we reopened the proceeding, held a further hearing, and on June 8, 1943, in a report on further hearing, hereinafter called the second report, 255 I. C. C. 649, we found reasonable and otherwise lawful a fare of 9 cents, for application during the remaining period of the war and 6 months thereafter, and modified the prior findings accordingly.

On July 8, 1943, respondent represented by petition that collection of a 9-cent fare as authorized was impracticable and asked for modification of our findings in the second report, first, by authorizing an alternative-fare basis of 11 tokens for $1 or a cash fare of one dime, conditioned upon the establishment and maintenance of the same alternative fare basis, in lieu of the present 10-cent cash fare, for local application on respondent's uptown line; second, by authorizing a 10-cent cash fare for all local downtown traffic until the necessary strategic materials could be secured, the tokens manufactured, and the alternative-fare basis put into use; and third, by eliminating the limitation attached to our authority whereby the 9-cent fare was approved for application only until 6 months after the termination of the war. Embodied in this petition were certain sworn statements of fact upon which the prayers made were grounded. Protestants, namely, Jersey City and other municipalities [fol. 525] of Hudson County, N. J., certain bus companies reaching respondent's New Jersey stations, and the Director of Price Administration for himself and the Director of Economic Stabilization, replied to this petition, requesting denial, more particularly of the second and third prayers embodied therein, as referred to above, or that the proceedings be set for further hearing.

On August 3, 1943, we reopened the proceeding for reconsideration and on the same date adopted a report on reconsideration, hereinafter called the third report, 256

I. C. C. —, wherein we denied the requests for authority to charge a 10-cent fare during the interim period prior to the use of tokens and for elimination of the limitation of our approval of the 9-cent fare to the period ending 6 months after the termination of the war, and modified the prior findings by authorizing, in lieu of a 9-cent cash fare on the downtown line, an alternative fare basis of 11 tokens for $1 or a cash fare of one dime, upon the condition that the same alternative-fare basis be established and maintained for local application on the uptown line. This modification of the prior findings was based upon our conviction, as expressed in the third report, that we had failed in our second report to give to certain evidence of record with respect to the feasibility of collecting a cash fare of 9 cents the weight to which it is entitled, and upon specific findings (1) that the collection of a 9-cent fare, either in cash or by strip or commutation tickets, was impracticable, and (2) that the alternative-fare basis as proposed was practicable, would result in probable net railway operating revenue at least no greater than under the basis contemplated by our findings in the second report, and had been justified as reasonable and otherwise lawful.

On September 13, 1943, the City of Jersey City filed a complaint in the United States District Court for the District of New Jersey, seeking to enjoin our action of August 3, 1943, on the ground, among others, that it had been "deprived of its full day in court by not having been given the opportunity to cross-examine the witnesses, refute and otherwise present counter evidence * * *." Accordingly, out of an abundance of caution, by order of September 18, 1943, we reopened this proceeding for further hearing "to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modifications made by the Commission in its report of August 3, 1943, on further consideration of its prior findings and orders of July 11, 1938, and June 8, 1943," and to afford "any party hereto * * * the right to cross-examine adverse witnesses." Such further hearing has been held, and upon the filing of briefs the matter has been submitted for our further decision.

At this further hearing both the New Jersey protestants and the Price Administrator noted their exceptions to the restriction of the scope of the further hearing as made in our order of September 18, 1943, and the Price Adminis-

trator's brief was accompanied by a motion, filed in behalf of the Director of Economic Stabilization, for modification of our order of September 18, 1943, so as to reopen this proceeding "for the purpose of receiving testimony and exhibits with respect to the revenues, income, and expense of the company, in order that said record be brought up to date; including evidence and exhibits relating to the right and need of the company for an increase in rates, charges, and revenues over and above those in effect on September 15, 1942, under the Interstate Commerce Act, and the act of October 2, 1942," called the Stabilization Act. To this motion respondent replied. Movant states that he wishes opportunity to exhibit the income and expenses of respondent for the first 7 months of 1943 and for the same period of 1942 for the purpose of showing that respondent's earnings under the present fares are adequate and that no increase in the present 8-cent downtown fare should be permitted. [fol. 526] In the complaint of the City of Jersey City before the District Court no question has been raised as to our action authorizing an increase in the downtown fare from 8 to 9 cents, but only as to an increase from 9 to 9-1/11 cents.

"At the time of the oral argument before us on April 20, 1943, on the facts of record upon which we issued our second report of June 8, 1943, the traffic and revenue results on the lines of respondent for the year 1942 and the traffic results for January and February 1943, the latest periods for which any such results were then available, were by agreement of the parties made a part of the record. The data then adduced, along with the other determinative facts of record, are set out in, and were considered by us at the time of our second report. Considering the contents of the motion now before us, and the offers of additional evidence made at the recent further hearing, we have no reason to believe that, if the additional hearing sought were held, we would feel warranted in modifying our findings as made in the second report. As will later appear, the alternative-fare basis herein approved can not be expected to yield materially better revenue results to respondent than we anticipated at the time of the second report. Accordingly, we see no sufficient reason for further reopening this proceeding at this time, and the motion will therefore be overruled."

Findings of Fact

Upon the amplified record now before us, we find that the following basic facts, as underscored, have been established:

1. *It is impracticable for respondent to collect a cash fare of 9 cents.*

Under peak-traffic conditions passengers pass fare-collection boxes on every business day at a rate as high as 3 per second and frequently average, over 3-minute periods, from 55 to 60 per minute. An average of about 25,000 passengers pass these boxes at Hudson Terminal during the rush hours both morning and evening. The present fare-collection boxes were designed to receive and count a maximum fare of 7 cents, at a time when the uptown fare was 7 cents and the downtown fare was 5 cents. Since the establishment of the present 8-cent fare, because of the increased number of coins being used, respondent has experienced frequent jamming of the fare boxes. A 9-cent cash fare would require the use of one more coin per passenger than does the 8-cent fare. The manner of construction and operation of respondent's fare boxes is recited in detail in the third report and will not here be repeated.

From an actual demonstration of the operation of the fare boxes made at the further hearing, and from the testimony of the president and the general superintendent of respondent, and by a representative of the manufacturer of these boxes, it is plain that any attempt to collect a 9-cent cash fare with respondent's present fare boxes would result in the counting mechanism of many, if not most, of the boxes becoming jammed during the rush-hour periods (approximately 2 hours in the morning and 2 hours in the evening) within less than 2 minutes. When a fare box becomes jammed it requires from 10 to 30 minutes to clear and restore it to service, provided a mechanic is immediately available. Respondent has only a small number of extra fare boxes for use as substitutes when any of the regular boxes become clogged, and an additional supply can not now be obtained because of priority restrictions. It has only three mechanics capable of restoring jammed boxes to use, and additional mechanics are difficult, if not impossible, to obtain. There is no way in which the mechanism in the present boxes can be altered so as to make

practicable the collection and counting of a 9-cent cash fare, and there is no existing fare box which will collect and count [fol. 527] such a fare under the mass transportation conditions presented by respondent's operations. The cumulative stoppages of fare boxes with the use of such a fare would result in serious inconvenience and delay to passengers, for it would require waiting trains, which during peak traffic periods must operate on a 3-minute schedule, with a 90-second headway through the tunnels, to depart only partially filled, while succeeding trains would be inadequate to accommodate the accumulated traffic.

The counting mechanism of these boxes is indispensable to the efficient operation of respondent's railroad, first, so as to provide a check on the efficiency of the fare-box attendant in observing the deposit of the fares; second, to provide a check against the subsequent count of the fares in respondent's coin-counting room; third, to prevent the necessity of an impracticable guarding of the sealed coin-collection cans between the time they are removed from the fare boxes and the time they are received in the counting room; and fourth, to provide the railroad with the traffic check necessary to control its train schedules and service by determining the volume of the incoming traffic during typical periods and thus make available the data essential to the control of train operations.

2. *There is available to respondent no practicable method of collecting a fare of, or approximating, 9 cents except by the use of tokens.*

Other methods of collecting a fare of 9 cents considered and rejected by respondent were the following: (a) By requiring the passenger to deposit initially a dime and to receive a contemporaneous refund of 1 cent from the fare-box attendant. The attendant, at least during the peak-traffic periods, could not watch the coins drop into the fare box and at the same time make change. Such attendants, the number of which would have to be at least doubled, would have to be furnished with about 125,000 pennies each business day. The attendants could not be certain that the penny refund would not be made to the uptown as well as the downtown passengers.

(b) By the use of weekly or monthly passes or commutation tickets. Such passes or tickets could not be policed

during the rush hours, and their attempted inspection by station attendants would entail too much delay to passengers.

(c) By the use of single-trip or multiple-trip tickets. The fare boxes are not adapted to effect the necessary cancellation of such tickets, and cancellation machinery cannot be obtained under the present war conditions. Other rapid-transit companies in the New York area have abandoned the use of such tickets because there are means by which cancellations can be eradicated and the tickets reused, such strips as deposited by groups of passengers may be abstracted from the box by the attendant, and when tickets are sold in strips they may be torn short by the purchaser so as to provide more tickets than were sold. Moreover, the sale of single tickets, with the necessity for making change, would result in serious congestion and delays to passengers during the peak-traffic periods.

3. *The use of tokens only for the local downtown traffic, while contemporaneously using cash fares for the other local traffic of respondent, is impracticable.*

The reasons why this is so are fully and accurately set forth in our third report, and repetition here would serve no useful purpose.

4. *The use of an alternative-fare basis of 11 tokens for $1 or a cash fare of a dime for local interstate passengers on both the downtown and uptown lines is the only practicable method now available by which respondent can reasonably be expected to obtain the financial benefits contemplated by our findings and conclusions in the second report as necessary to insure adequate transportation service.*

[fol. 528] The alternative-fare basis is practicable in that it can be used conveniently both by the public and by respondent if made applicable contemporaneously, as proposed, on both the downtown and uptown lines. Such tokens will be available for use either by the purchaser, by any member of his family, or by others, and without limitation as to the period in which they may be used.

The sale of tokens in lots of 11 for $1 will result in an average fare of 9-1/11 cents, or approximately the same as we approved in the second report. It will result in a fare reduction to passengers purchasing tokens and using the

uptown line from 10 cents to 9-1/11 cents, or 10/11 of a cent.

Based upon the number of local interstate passengers carried by respondent in the first 8 months of 1943, adjusted to a 12-month basis, and assuming a 5 percent loss in the downtown local passengers by reason of an increase in the fare, the proposed alternative basis can be expected to bring to respondent at least no greater gross or net revenue than would result under cash fares of 10 cents uptown and 9 cents downtown, if both of such fares were collectible, as contemplated by our findings in the second report. If such estimate were based upon a use ratio of 90 percent tokens and 10 percent dimes, as respondent claims it should be, the result would approximate $85,000 less annual revenue under the alternative basis than under the 10-cent and 9-cent cash fares.

This use ratio of 90 percent tokens and 10 percent dimes is challenged by protestants, especially by the Price Administrator. Its advocacy by respondent is grounded chiefly upon the experience on its lines that about 90 percent of its patrons are regular commuters. Protestants' challenge is grounded largely upon a report made in 1937 by a committee on fare structures to the American Transit Association, which was made a part of the record at the further hearing, and which shows the relative use of tokens and cash fares on the lines of 75 transit companies serving communities ranging in population from 20,000 to about 3,000,000, located in various sections of the United States and in 4 Canadian provinces. The illustrations given comprise 127 observations, made in the years 1921 to 1935, inclusive, embracing combinations of cash and token rates ranging, in differentials between such rates, from 2.83 to 37.5 percent, in token-investment requirements from 15 cents to $1.20, and in cash fares from 6 to 10 cents. The results thus revealed, even under the same combinations of cash and token rates, vary widely. For example, under a fare basis of 8 cents in cash and 4 tokens for 30 cents, a transit company in Wilmington, Del., showed a token use in 1931 of 65 percent, while the experience of a company in Wilmington, N. C., in 1929 was only 40 percent, that of one in Durham, N. C., in each of the years 1923 and 1927 was 52 percent, and that of another in Scranton, Pa., in 1928 and 1930 was 72 percent. So, also, the proportion using tokens under a basis of 7 cents in cash and 4 tokens for 25 cents on 10 different companies, in various years from 1921 to 1933, ranged from 62 percent

to 92 percent. The ratio of tokens used to the total fares on these companies was about the same for token payments ranging from 20 to 45 cents, beyond which the token percentage dropped noticeably until a payment of 55 cents was reached, after which up to about $1 the drop was relatively slight.

About all of any consequence here that this exhibit shows is (1) that two powerful forces which have bearing upon the token-cash use ratio are the differential between the token and cash-fares, and the amount of the token investment, and (2) that the smaller the differential and the greater the investment, the smaller will be the proportion of those using tokens. It is plain also that, generally speaking, the more infrequent the use made by the passenger of the company's services, the less likely he is to purchase tokens, especially if the token investment is relatively high. What the claimed proportion of the regular commuters on any of these transit companies may have been at the time the respective observa-[fol. 529] tions were made does not appear. The committee points out that the working class, which is generally the largest user of the service, tends to regard expenses in terms of weekly periods, because they are the most common "payday" intervals; nevertheless, it implies that where the token rate is high, the purchase of a half week's service at one time might be all that should be required. It regards the opportunities for experimentation as almost unlimited, and lists 195 combinations of cash and token rates, comprising token investments up to $1 and cash fares of from 6 to 10 cents. It sets forth what, in its opinion, would be the most probable average fare and the percentage of token use under such combinations. For example, under a cash fare of 10 cents and a token fare of 18 for $1, it would expect a token use of 86.77 percent, but if the number of tokens for $1 were reduced to 14, it would expect the token percentage to drop to 67.84, and if the number for that price were further reduced to 11, as in the instant proposal of respondent, the use ratio would be expected to recede to 33.76 percent. The committee admits, however, that deviations of actual results from those estimated might occur from various causes, and it adds this statement: "If the transit industry is to continue to build towards a rate structure which shall be at the same time economically sound and socially acceptable, it seems advisable for the industry to give more consideration than is evident from the various combinations of

cash and token rates now in effect, to the nature and strength of the forces that are introduced in the structure and the effects of these forces on patronage and revenue."

None of the 75 transit companies included in the foregoing report to the Transit Association operates in the New York area, nor did the observations made embrace any combination of 11 tokens for $1 and a cash fare of a dime. Moreover, there is no indication that the traffic characteristics of any of those companies are similar to those on the lines of respondent, particularly with respect to the volume of traffic and the concentration thereof in peak periods at particular stations, such as at Hudson Terminal. As indicated, the token ratio on the respective companies under the same fare combination varied as much as 32 percent. A "spot check" based on 1943 data, made on 9 of the 75 companies included in the foregoing exhibit, showed an average deviation from the results as reported in 1937 of 1.8 percent and a maximum deviation of 13.7 percent. If this maximum deviation (13.7 percent) as reported in 1943 be added to the foregoing maximum deviation under a particular fare combination (32 percent) as reported in 1937, the result is a permissible variation from the average as envisioned by the 1937 report of as much as 45.7 percent, which, added to the expectations of the Transit Association's committee under a fare basis of 11 tokens for $1 and a cash fare of 10 cents, namely, a token use ratio of 33.76 percent, brings the possible use ratio for tokens on the lines of respondent under the alternative fare basis here proposed, based on the Price Administrator's showing, to 79.46 percent. Even if the actual use ratio under the proposed basis should prove to be 70 percent tokens and 30 percent dimes, respondent's revenue would, within about $15,000, approximate that anticipated by our findings in the second report, based upon the number of local interstate passengers carried in the first 8 months of 1943, adjusted to a 12-month basis, and allowing for a 5 percent diversion by reason of the fare increase on the downtown line, but making no allowance for the increased number of passengers which could be expected to be drawn to the uptown line by reason of the fare reduction thereon. Moreover, as indicated, it is likely that the traffic characteristics on the lines of respondent differ greatly from those on the lines of the other companies referred to of record, and therefore the 90-10 percent use ratio urged by respondent

appears to us to be within the range of probable achievement under the proposed fare basis.

Protestants imply, but do not claim, that an investment of [fol. 530] $1 for the purchase of tokens is greater than warranted by the economic status of respondent's commuters. The price of the average monthly commutation fares in the New York metropolitan area is at least $5, and at the first hearing herein the New Jersey protestants advocated the sale by respondent of interstate 60-ride commutation fares at a price of $3. Respondent takes the position that there is no material difference between the financial status of its passengers and that of commutation passengers generally in the New York area. Protestants take a different view. The record would not support a finding that there is any such difference, but if such a difference should exist, plainly it may not be assumed, without more, that it is greater than that reflected between the $1 here proposed to be charged and either the $3 advocated by the New Jersey protestants or the more than $5 now charged on the average for commutation tickets by railroads generally in the New York area.

The only way, of course, in which the effect of the proposed fare basis, either upon the public in convenience of use or upon the respondent in revenue results, can be ascertained without the uncertainties necessarily inherent in predictions of traffic or revenue results, is by giving the basis a fair trial

5. *The modification of our prior findings as made in the third report of August 3, 1943, is not in conflict with the Emergency Price Control Act of 1942, as amended by the Stabilization Act.*

In our second report, page 668, we found that a maximum increase of about 12 cents a week and 52 cents a month per passenger reflected by an increase from 8 to 9 cents in respondent's downtown fare, would not be in conflict with the Emergency Price Control Act of 1942, as amended. The difference between the 9-cent fare found to be lawful in that report and the average token fare of 9-1/11 cents now proposed is equivalent to a maximum increased transportation cost to the average downtown passenger of about 57 cents a year. On the other hand, the proposed reduction in the uptown fare from 10 cents to an average token fare of 9-1/11

cents is equivalent to a maximum decrease in transportation cost to the average uptown passenger of $5.67 a year. For respondent's local interstate passengers as a whole, the proposed basis will not result in any greater increase in average transportation cost per passenger than that contemplated by our findings in the second report.

Our views with respect to the effect of the provisions of the Emergency Price Control Act of 1942, as amended, upon our administration of the Interstate Commerce Act are set forth in *Increases in Taxes, Rates, Fares, and Charges*, 253 I.C.C. 723. See, also, *Increased Railway Rates, Fares, and Charges, 1942*, 255 I. C. C. 357, 392.

6. *A cash fare of 10 cents for the occasional or irregular passenger on the downtown line compares favorably with the reasonable charge made for similar service on railroads generally.*

Under the proposed basis the occasional or irregular passenger will pay 10 cents on both of respondent's lines. In the second report we found that the fares and charges of record for commutation service of carriers other than respondent serving the New York metropolitan area afford stronger support, differences in transportation services considered, for an 8-cent or a 9-cent fare than for a 10-cent fare on respondent's downtown line. That finding, however, was based upon a comparison between fares and services for commutation passengers, and not for passengers who may ride only occasionally in commutation equipment. On the railroads generally, the latter passengers do not ride on commutation tickets, but on standard coach tickets, the price of which is subject to the minimum charge [fol. 531] of 10 cents for all passengers on rail passenger equipment prescribed by us in *Passenger Fares and Surcharges*, 214 I.C.C. 174, 257.

Conclusions

Upon consideration of the entire record, and more particularly of the foregoing findings of fact, we affirm our conclusions in the report on reconsideration of August 3, 1943, namely, that a local interstate fare on respondent's downtown line on the alternative basis of 11 takens for $1 or a cash fare of 10 cents, payable by a dime, has been justified as reasonable and otherwise lawful, for applica-

tion during the remaining period of the war and 6 months after its termination; provided that contemporaneously with the establishment and maintenance of such fares on the downtown line, the same alternative basis be established and maintained for local interstate traffic on respondent's uptown line.

Respondent asks for permission to establish the fares herein approved upon 10 days' notice to us and to the public, instead of 30 days as required in section 6(3) of the act. A downtown fare of 9 cents was approved by us on June 8, 1943, and in the ordinary course, if collectible, that fare would now have been in effect for about 4 months. Accordingly, we feel warranted in exercising the powers given to us in section 6(3) and permitting the establishment of the approved fares upon less than the statutory notice.

An order overruling the aforesaid motion of the Director of Economic Stabilization, and granting permission to respondent to establish the fares herein approved upon not less than 15 days' notice, will issue.

MILLER, *Commissioner*, concurring in part:

My views in this proceeding are set forth in the expressions made by me in connection with the prior reports. I here concur in the finding made respecting the alternative basis of fares insofar as it will afford relief from the conclusion reached by the majority in the report on further hearing, 255 I.C.C. 649.

I am authorized to state that Commissioners Mahaffie and Patterson join in this expression.

Commissioner Atchison did not participate in the disposition of this proceeding.

[fol. 532] Order

At a General Session of the Interstate Commerce Commission, held at its office, in Washington, D. C., on the 2d day of November, A. D. 1943.

Investigation and Suspension Docket No. 4394

Passenger Fares of Hudson and Manhattan Railroad Company

This proceeding having been reopened for further hearing, and full investigation of the matters and things involved having been had, and the Commission having, on

the date hereof, made and filed a second report on further hearing containing its findings of fact and conclusions thereon, together with a discussion of the motion of the Price Administrator in behalf of the Economic Stabilization Director for further reopening of this proceeding, which said report is hereby referred to and made a part hereof:

It is ordered, That the aforesaid motion of the Director of Economic Stabilization, by the Price Administrator, be, and it is hereby, overruled.

It is further ordered, That the respondent, Hudson & Manhattan Railroad Company, be, and it is hereby, authorized to publish and apply the fares found in said report to be reasonable and otherwise lawful upon not less than 15 days' notice to the Commission and to the general public, in the manner provided in section 6 of the Interstate Commerce Act.

By the Commission.

W. P. Bartel, Secretary. (Seal.)

[fol. 533] Certificate of Service

I hereby certify that I have this day served the foregoing document upon all parties to this proceeding by mailing a copy thereof, with postage prepaid, to each party of record.

Dated at New York, New York, this 13th day of July, 1943.

S. S. Eisen, For Protestants.

[fol. 534] PLAINTIFF'S EXHIBIT "4"

22348

INTERSTATE COMMERCE COMMISSION

INVESTIGATION AND SUSPENSION DOCKET NO. 4398

PASSENGER FARES OF HUDSON & MANHATTAN RAILROAD COMPANY

Submitted June 22, 1938. Decided July 11, 1938

Proposed increased local passenger fare of the Hudson & Manhattan Railroad Company between Jersey City and Hoboken, N. J., and Hudson Terminal, New York, N. Y., found not justified. Suspended schedules required to be canceled, without prejudice to the establishment of a fare of 8 cents.

John F. Finerty, John E. Buck, Donald C. Swatland, and *Thomas A. Halleran* for respondent.

Milton P. Bauman, James A. Hamill, Charles Hershenstein, Michael J. Bruder, John N. Platoff, Nicholas S. Schloeder, Alfred Brenner, James C. Agnew, Horace L. Allen, James A. Coolahan, Theodore C. Baer, George F. Cassidy, Morris E. Barison, William Schlosser, Maurice Frager, Fred Eichman, L. Alfred Jenny, and *William Reger* for protestants.

William L. Bevan for Public Utilities Commission of New Jersey.

Charles J. Fagg, Thomas M. Kane, and *W. H. Chandler* for local interests.

REPORT OF THE COMMISSION

Porter, *Commissioner:*

Exceptions to the report proposed by the examiner were filed by respondent and protestants, and the issues were orally argued before us.

By schedules filed to become effective September 1, 1937, respondent Hudson & Manhattan Railroad Company proposed to increase from 6 cents to 10 cents its passenger fare between Hudson Terminal, New York, N. Y., and stations in Jersey City and Hoboken, N. J. Upon protest

of numerous commuters and of the municipalities of Jersey City, Hoboken, Bayonne, Harrison, Secaucus, North Bergen, and others in Hudson County, N. J., operation of the proposed schedule was suspended to April 1, 1938. The effective date has since been voluntarily postponed to September 1, 1938.

Respondent's lines consisted of an underground rapid-transit system, operated exclusively by electric power of the three-rail type, for the transportation of passengers between stations on Manhattan Island, N. Y., and stations in Jersey City and Hoboken. No package, freight, or express matter is handled by respondent. It has two double-track lines under the Hudson River, one known as the downtown line and the other as the uptown line, connecting on the New Jersey side and comprising in all about 8.5 miles of line, of which all but 0.63 mile is underground. The downtown line, on which the proposed increased fare is to apply, crosses under the river by two parallel tunnels between Exchange Place, Jersey City, and Hudson Terminal at Church Street between Cortlandt and Fulton Streets, in [fol. 535] New York, and extends westward in Jersey City from Exchange Place through a station at Grove and Henderson Streets to a station at Journal Square, where connection is made with the Pennsylvania Railroad. The uptown line crosses under the Hudson River by two parallel tunnels from Hoboken to Christopher Street, in New York, from which point it runs uptown under Sixth Avenue to a terminal at Thirty-third Street, with other stations at Twenty-eighth, Twenty-third, Nineteenth, Fourteenth, and Ninth Streets. The Thirty-third Street terminal is now being constructed by the city of New York in connection with construction of the city-owned subway under Sixth Avenue. During this construction respondent's uptown trains are operating into a temporary terminal at Twenty-eighth Street and Sixth Avenue.

The connection between the uptown and down town lines on the New Jersey side is made by a north-and-south line approximately parallel with the Hudson River, extending from a junction with the downtown line near Grove and Henderson Streets to a junction with the uptown line near Hoboken. These lines have stations in the respective terminals of the Delaware, Lackawanna & Western Railroad Company at Hoboken, the Erie Railroad Company at Jersey City, and

the Pennsylvania at Exchange Place. Respondent in conjunction with the Pennsylvania also operates a joint rapid-transit electric-train service between Hudson Terminal, in New York, and Newark, N. J., over respondent's line to Journal Square, thence over the Pennsylvania to Harrison to Market Street, Newark. Passengers on these trains may transfer to or from the uptown line where it connects with the downtown line in Jersey City. About 40.4 percent of respondent's tracks are under public streets, 36.7 percent under private property, and 22.9 percent under the Hudson River.

Hudson Terminal is located underneath the streets and two large office buildings owned by respondent in the square bounded by Church, Fulton, Greenwich and Cortlandt Streets in the financial district of lower Manhattan. At or near this terminal, connections can be made with several New York subway and elevated lines. Exchange Place in Jersey City is 80 feet underneath the Pennsylvania passenger terminal, near the water front. Elevators there convey passengers to and from the Pennsylvania station as well as the street, where there is a trolley and bus terminal. From Exchange Place westward the line is mainly under the Pennsylvania's right-of-way to Journal Square, in the central business district of Jersey City. This station is located in an open cut a short distance beyond the tunnel portals. Escalators convey passengers to and from the street, where there is a terminal for trolley lines and bus routes, both local and long distance. This station is owned by the Pennsylvania, operated by respondent, and used by both. Passageways and stairways connect respondent's stations with those of the Lackawanna and Erie, and with the Street, where there are trolleys and busses.

Respondent's tunnels are generally smaller in size than those of the New York subways and are too small for standard steam-railroad passenger cars. They are equipped with automatic block signals, averaging only 370 feet apart, each with an automatic train stop, and terminals and junctions are protected with interlocking equipment. The grades are numerous and severe, reaching a maximum of 5.46 percent, and the curves are numerous and long, with a minimum radius of 90 feet. For this reason, and also because 85 percent of respondent's road is below tide level, maintenance and replacement expenses are exceptionally

heavy. Respondent owns 324 passenger cars, specially designed for its small-size tunnels. They are of steel construction, with longitudinal seats accommodating 44 passengers, and have self-contained motors and sliding doors. They are not operated singly, but in trains ranging up to eight cars. The trains are operated on an interval schedule ranging from 90 seconds during rush hours to 30 minutes after midnight.

Respondent charges a local fare of 5 cents for intrastate [fol. 536] transportation in New York or New Jersey, 6 cents for interstate transportation on the downtown line, and 10 cents for interstate transportation on the uptown line. These interstate fares were respectively increased in 1920 from 5 cents and 7 cents upon our approval in *Local Fares of Hudson & M. R. Co.*, 58 I. C. C. 270. The fares charged in the joint rapid transit service between New York and Newark vary with the type of ticket, ranging from 20 cents for a one-way ticket to 12.4 cents per permissive ride on a 60-trip monthly ticket. Under joint arrangements later referred to, respondent receives agreed divisions from the Pennsylvania on all passengers handled jointly or interchanged between the two carriers both to or from Newark and to or from other points on or reached via the Pennsylvania. These divisions are 5 cents where the passenger is transported between Hudson Terminal and Exchange Place, 7.64 cents on all other passengers transported to or from Hudson Terminal, and 8.64 cents on passengers transported to or from New York stations on the uptown line. Respondent has a similar arrangement with the Lehigh Valley Railroad Company, the divisions from such passengers being received through the Pennsylvania. Respondent receives no division of the fares paid by passengers traveling only on the Pennsylvania's portion of the joint rapid-transit route. No increase in any of these fares or divisions except in the downtown fare of 6 cents is contemplated at this time.

Before respondent's lines were constructed the only way in which trunk-line passengers could cross the Hudson River to or from New York was on ferries operated by the various railroads. Commencing in 1903 respondent and its predecessors entered into a series of contracts with the Pennsylvania regarding the carriage of the latter's passengers to and from New York. Respondent is now a party to a number of tariffs published by the Pennsylvania

under which passengers of the latter holding tickets to or from New York may transfer to or from respondent without additional charge. Respondent is also a party to one passenger tariff of the Lehigh Valley under which there is a similar arrangement. It has no joint fares with any other railroad. Main-line passengers of the Pennsylvania and the Lehigh Valley transfer at Exchange Place, and passengers on Pennsylvania suburban trains which operate into its Exchange Place station, Jersey City, change there. The Pennsylvania's time-tables show the train schedules to and from Hudson Terminal as well as its own station at Thirty-third Street, New York. The Pennsylvania maintains a ticket office in Hudson Terminal where tickets may be purchased to any point on or reached via its lines.

The chief support for the proposed increased fare offered by respondent is the need for about $1,000,000 additional gross revenue in order merely to pay increased operating expenses, increased taxes, and interest on its funded debt, including current interest on its adjustment income bonds, but excluding cumulative interest which is now in arrears. Respondent owns and operates two 22-story office buildings erected over its Hudson Terminal and certain other miscellaneous real estate, hereinafter referred to as nonrailroad properties or operations. Its capital securities outstanding in the hands of the public total $112,710,950, of which $67,470,000 is funded and $45,240,950 preferred and common stock. Respondent has paid no dividends on its stock since 1933, and it is not here claiming that the proposed fare should or will enable it to pay such dividends. Its outstanding funded debt consists of $944,000 of first-mortgage 4.5-percent bonds, $35,242,600 of first-lien and refunding 5-percent bonds, and $31,284,000 adjustment income-mortgage 5-percent bonds.

On the basis of the present relation between the cost of its common-carrier or railroad properties and the cost of its nonrailroad properties, 83.16 percent of its bonded indebtedness has been allocated to its railroad operations and 16.84 percent to its nonrailroad operations. This basis of allocation is not questioned upon this record and will be accepted as proper for the purpose of this proceeding. [fol. 537] On this basis there are allocated to railroad operations $785,030.40 of the first-mortgage, $29,307,746.16 of the first-lien and refunding, and $26,015,774.40 of the adjustment income bonds, the annual interest on which is

$1,500,713 on the first two issues and $1,300,789 on the income bonds. Since 1933 the nonrailroad operations have earned their full interest, including that on their allocable share of the income bonds, plus net income ranging from $222,586 in 1934 to $9,396 in 1937. On the then outstanding bonded indebtedness of $56,108,551 thus allocated to the railroad operations, however, respondent has failed to earn the interest, including that on the allocable share of the income bonds by $302,406 in 1933, $279,078 in 1934, $487,289 in 1935, $394,810 in 1936, and $655,164 in 1937. Under the terms of respondent's adjustment income mortgage the interest on those bonds is not payable unless earned, but since 1920 deficiencies in the payment of such interest have become cumulative, so that at the end of 1937 the cumulative interest thereon was in arrears in the amount of $1,642,410.

The railroad operating expenses of respondent have been increased in recent years by higher costs of materials and supplies and of labor. In 1937 such expenses, other than taxes, were greater than in 1933 by 17.5 percent, and in 1936 by 6.01 percent, but less than in 1930 by 16.8 percent and in 1929 by 19.7 percent. Taxes in 1937 increased by 5.41 percent over 1936 and 5.62 percent over 1933, but were less than in 1932 by about 2 percent, in 1930 by 12.3 percent, and in 1929 by 10.5 percent. In 1937 wages increased over 1936 by about $140,000, and a further increase of about the same amount is anticipated in 1938. Certain groups of employees have agreed to a 5-percent increase in hourly wages for 1938 and to postponement of the effective date of a further 5-percent increase in such wages, and of a two weeks' vacation with pay, until respondent's railroad operations provide adequate revenues. Including those increases the wage scale of such employees is still substantially lower than that of the other subways operating in the metropolitan district, whose fixed charges are in part met by general taxation.

Respondent's railroad operating revenues increased steadily from $6,838,269 in 1920 to $9,073,512 in 1927 and then quite steadily declined by 34.4 percent to $5,956,426 in 1923. Slight increases occurred in the succeeding years to and including 1936, but in 1937 the total was $6,041,835 or 1.11 percent below 1936. From 1921 to 1932 the railroad operations produced a net income after interest on funded debt ranging from $1,487,139 in 1929 to $182,423

in 1932. Since then, as above indicated, respondent has been operating at a deficit in net income.

Expenditures approximating $1,500,000 upon respondent's railroad properties are said to be needed now and more later. Under the terms of the adjustment income mortgage all earnings available for bond interest must be applied to the extent necessary to pay coupons on such bonds. Accordingly, respondent cannot make capital improvements out of earnings or build up any reserve for the future until it has discharged the present accumulation of interest due on its income bonds and is earning something in addition to the full current interest thereon. It estimates that operating expenses and taxes in 1938 will exceed those in 1937 by about $249,111, or 6.4 percent, and that accordingly, based on traffic for 1937, its 1938 deficit in net income will be about $904,275. It estimates that for 1938 the proposed fare would yield about $1,078,612 in additional revenue, and that about $2,959,205 would remain for bond interest. The total annual interest on the railroad proportion of the outstanding bonds is $2,801,502, which would leave a net income of $157,703. It appears that respondent is being operated economically and efficiently, and that little can be expected in the way of reduced expenses.

The primary reason for respondent's financial difficulties lies in the substantial loss of passenger traffic since 1929. The appendix hereto shows the total number of passengers carried, segregated as between New Jersey intrastate, joint [fol. 538] rapid transit, uptown (including New York intrastate), and downtown. It will be noted that, using 1919 as 100, the total passenger traffic dropped to 97 percent in 1920, then increased to 120 percent in 1927 and 119 percent in 1928 and 1929, after which it declined to 80 percent in 1933, 81 in 1934 and 1935, and 83 in 1936 and 1937, the total in the latter year being 77,989,857. On the downtown line, on which the local fare was increased from 5 to 6 cents in 1920, the number of local passengers increased steadily until 1929, when it was 143 percent of 1919, and then declined to 104 percent in 1933, 106 percent in the next two years, and 110 percent in 1936 and 1937. The uptown local traffic, on which the fare was increased in 1920 from 7 to 10 cents, including New York intrastate traffic, declined to 89 percent in 1920, and then increased, but much more slowly than the corresponding increase on the downtown

line, to 105 percent in 1927, after which it declined to 97 percent in 1929, 61 in 1933, 59 in 1934, and 60 in 1936 and 1937. The New York intrastate passengers thus combined with the uptown traffic totaled only 353,868, or about 2 percent of the uptown traffic, in 1937. The joint rapid-transit traffic declined slightly in 1920 and then increased to 115 percent in 1927, after which it declined to 110 percent in 1929, 68 in 1933, and 69 in 1937. The New Jersey intrastate traffic declined to 97 percent in 1920, and then increased to 165 percent in 1923 and 149 percent in 1925, after which it declined to 120 percent in 1929, 77 in 1933, 96 in 1936, and 90 in 1937.

The foregoing decline in the total passengers carried by respondent is little different from the average decline on the principal trunk-line railroads reaching New York City by way of New Jersey. On the Erie and the Lackawanna, for example, which afford free trans-Hudson ferry service on their traffic to downtown stations, the number of passengers in 1936 was respectively 70 and 83 percent of that in 1919, as compared with 83 percent on respondent as a whole, 62 percent on the uptown line, and 96 percent on the downtown line, those percentages including the local as well as the joint rapid-transit passengers. However, in 1920, when the increased fares became effective on all railroads, while as compared with 1919 respondent's downtown traffic gained 1 percent and its uptown traffic declined about 11 percent, the Lackawanna gained 6 percent, the Erie 24 percent, and the principal New Jersey railroads combined 12 percent. In subsequent years while the showing made on the uptown line continued to be less favorable than on the trunk lines generally, that of the downtown line gradually became more favorable until in 1929 the total was 32 percent greater than in 1919, as compared with 2 percent less on the uptown line, 19 percent greater on both of respondent's lines combined, and 10, 24, and 15 percent, respectively, greater than in 1919 on the Lackawanna, the Erie, and the New Jersey railroads as a whole.

Respondent analyzed the foregoing traffic results for the purpose of supporting its claim, which as will later appear is disputed by protestants, that an increase from 6 to 10 cents in its downtown fare could be expected to result in a substantial revenue increase, and also that such a result could not be anticipated from an increase in its local fares elsewhere. It is admitted that the decline of 11 percent in

1920 under the preceding year in the number of uptown passengers was chiefly due to the increase at that time in the uptown fare from 7 to 10 cents. The greater part of this loss was diverted to the ferries, although some of it by reason of the narrow spread between the uptown and downtown fares probably reached the downtown line. The uniform fare on the New York City subways is 5 cents and the combination of that fare and respondent's 6-cent downtown fare made a lower through charge by 4 cents to upper New York than by the use of the uptown line and a subway at a cost of 15 cents. Subsequently, however, the uptown traffic increased, so that in 1927 it was 5 percent greater than in 1919, as compared with a corresponding increase of 35 percent on the downtown line. The opening of the Holland Tunnel in the fall of 1927, while it apparently had little effect on the downtown traffic, was largely re- [fol. 539] sponsible for the uptown decline in 1928 and 1929. The opening in 1931 of the George Washington Bridge had a like, but less drastic, effect on the uptown traffic, and the opening of the first tube of the Lincoln midtown tunnel late in 1937 has had a similar effect on both lines. Thus, the total number of busses crossing the Hudson River increased from about 70,000 in 1925 to 790,000 in 1930, 828,000 in 1932, 1,018,000 in 1935, 1,071,000 in 1936, and 1,112,000 in 1937. The minimum bus fares are 10 cents over the George Washington Bridge and 25 cents through the tunnels. The combinations made by adding to the uptown fare the bus fares, generally 5 or 10 cents, to and from the Jersey City stations of respondent are in some instances higher, in others the same, and in others lower than the through bus fares. On the other hand, with some exceptions, the bus fares are higher than the commutation fares of the trunk-line railroads plus respondent's uptown fare. The total number of private automobiles crossing the Hudson River increased from about 7,000,000 in 1924 to 17,668,000 in 1932, 22,416,000 in 1935, and 25,811,000 in 1937. The river fare for private automobiles ranges from 20 to 25 cents on ferries to 50 cents for the tunnels or the bridge. More of the private automobiles move to and from the uptown than the downtown area.

Of course, the chief cause of the general decline in respondent's traffic since 1929 was the economic depression. Other factors are the improvement in shopping and amusement centers in New Jersey, the coincidence of the 5-day

working week, the decline as a shopping center of Sixth Avenue in Manhattan served directly by respondent between Eighth Street and Thirty-third Street, and the development of a new business center on Fifth Avenue extending as far north as Fifty-seventh Street, which is readily accessible to motor vehicles.

Basing upon the foregoing facts, respondent maintains that the steady decline in traffic on the uptown line has been due, aside from the depression, chiefly to the increased motor competition since 1927 and to the change in the character of the midtown territory served by that line, and not in any large degree to the 10-cent fare; that the trans-Hudson motor competition is primarily operative against the uptown and not the downtown line; that the diversion from the uptown line to competitive motor transportation has been influenced largely by the greater convenience and flexibility of the motor service and without reference to relative cost; and that the differential between the uptown 10-cent fare and the downtown 6-cent fare has tended to divert traffic from the uptown to the downtown line. Accordingly, respondent insists that any increase in the uptown fare would tend to accelerate bus competition, and that it can obtain the necessary additional revenue only by increasing the downtown fare as proposed.

Respondent does not believe that it could secure increased revenue by a reduction in its fares and consequent stimulation of increased traffic. In most cases the bus fare to New York plus the New York subway fare is the same as or higher than the steam-railroad commutation ticket plus either of respondent's fares. For this reason respondent believes that reduced fares would not divert traffic from the busses. As bus services become established and equipment improved, it is expected that this type of competition will increase, especially to and from the portion of Manhattan which is now served by the uptown line. Most of the bus lines serve the midtown business center and generally do not reach lower Manhattan. Moreover, it seems to respondent unlikely that a fare reduction would attract passengers from the ferries, since the greater portion of the ferry traffic consists of steam-railroad passengers entitled to free ferry service under their New York tickets.

Because the fundamental cause of respondent's lack of income is the decline in traffic, especially on the uptown line,

it has made a study to determine whether that line has now reached the point where it has become a burden upon the road as a whole. Income and expenses, including taxes allocable to railroad operations, were divided between the [fol. 540] uptown and downtown lines in 1937 on the basis of a formula, of which there has been practically no criticism. The results indicate that in that year the downtown line contributed $1,845,747 and the uptown line $300,592 to net income available for bond interest; that if the uptown line had been abandoned and 50 per cent of its traffic lost, and the remainder diverted to the downtown line, the balance available for bond interest would have been approximately $336,388 less than it was, and if all of its traffic had been lost the balance available for interest would have been about $817,492 less than the actual. This story indicates, therefore, that respondent would be worse off if the uptown line were eliminated.

It is admitted by respondent that some diversion of traffic, especially to the ferries, would result from the proposed fare. The extent of such probable diversion is variously estimated by its witnesses as from 11 to 15 per cent. Taking into consideration a probable diversion of about 11 per cent, respondent estimates that the proposed fare would enable it, on the basis of a 2-per cent reduction in the 1937 traffic and after making provision for increased wages, taxes, and other expenses, to pay full bond interest and accumulate an annual surplus of about $157,000 with which to liquidate the interest arrearages on the income bonds and later to create a modest reserve against contingencies. Since the beginning of 1938 and up to the time of the hearing in the latter part of February, respondent's traffic had shown a reduction under the corresponding weeks in 1937 of between 5 and 6 per cent instead of the 2-per cent reduction included in the foregoing estimate. Respondent also feels that a uniform fare on the uptown and downtown lines would tend to eliminate the distortion between the traffic on the two lines and result in operating advantages.

The original cost of respondent's railroad properties, compiled from its accounts and those of the predecessor companies, is indicated to be $66,543,281.07. The respective amounts for the various projects from which this sum is determined are all supported by vouchers, with the exception of two items. One is an item of $4,192,670.71 representing the expenditures from 1902 to 1906, inclusive, of the Hudson

Improvement Company in connection with the construction of the New York & New Jersey Railroad, and the other is an item of $2,000,000 for property acquired prior to 1902 by the New York & New Jersey Railroad Company in connection with the reorganization of the Hudson Tunnel Railway Company. The first item was taken from the books of the company and there seems to be no doubt of its accuracy. With respect to the second item the following appears in *Local Fares of Hudson & M. R. Co., supra*, page 273:

The property acquired by the New York & Jersey Railroad Company for $400,000 was appraised at $2,000,000, and the appraised value has been used as the cost thereof. No liabilities were assumed in the acquisition of the property; therefore the purchase price should be credited to investment in accordance with our accounting rules.

It now appears that while the price bid for this property at the foreclosure sale was $400,000, this bid was but a step in the reorganization, the payments being largely in bonds of the old company; that apparently something more than $3,000,000 in securities of the New York & Jersey Railroad Company were issued for the acquisition of this property and in exchange for the securities of and in settlement of claims against the Hudson Tunnel Railway Company; and that in the judgment of the respondent's officials who have examined the records of the predecessor companies at least $2,000,000 must have been expended in the construction of the property covered by this item. Upon this record this item appears to be adequately supported.

In behalf of respondent a civil engineer with many years of experience in tunnel, subway, and other heavy construction estimated the reproduction cost of respondent's railroad properties new, on the basis of 1914 prices, less depreciation, at $68,272,998.96. Prices in 1914 were used as representing a fairly stable level for an extended period prior thereto. The details on which this estimate was made are of record and have met with little criticism. The de- [fol. 541] preciated cost of reproduction new at current prices would be greater than the above estimate at 1914 prices. This estimate is offered in confirmation of the original construction cost of $66,543,281.07 shown by respondent, not only as a prudent investment, but as the actual cost of construction. The net income of $2,959,205 estimated by respondent for 1938 if the proposed fare were to

become effective would be 5.27 per cent of the bonded indebtedness allocated to its railroad properties, 4.45 per cent of the original construction cost, and 4.33 per cent of the depreciated reproduction cost new.

Respondent insists that the proposed fare would be less than a reasonable maximum and lower than we could prescribe without confiscation. It states that the 10-cent fare here proposed was authorized in *Passenger Fares and Surcharges*, 214 I. C. C. 174, wherein a minimum charge of 10 cents for all classes of equipment was authorized to be observed. The findings and order in that proceeding have reference only to noncommutation traffic and not to the kind of traffic which largely moves under the fares here proposed to be changed. It is incorrect, therefore, to say that the decision or order in that proceeding is any authority for increasing respondent's 6-cent fare, or that it affords any criterion as to what the instant fare should be.

The present fare here proposed to be increased to 10 cents applies between Hudson Terminal and Exchange Place, 1.25 miles, Grove and Henderson Streets, 1.79 miles, Journal Square, 3.2 miles, the Erie station, 2.08 miles, and Hoboken, 2.96 miles, an average of 2.26 miles. The present 10-cent fare not here proposed to be changed applies between the Thirty-third Street terminal in New York and the Erie station, 3.43 miles, Hoboken, 3.53 miles, Exchange Place, 4.26 miles, Grove and Henderson Streets, 4.29 miles, and Journal Square, 5.71 miles, an average of 4.24 miles. The minimum distance between stations on the uptown line is between the Erie station and Christopher Street, the first station east of the river, 1.91 miles, as compared with the minimum distance on the downtown line of 1.25 miles. The scheduled running time under the downtown fare to Hudson Terminal is three minutes from Exchange Place, five minutes from Grove and Henderson Streets, six minutes from the Erie station, and nine minutes from Hoboken and Journal Square. On the uptown line the time to the Twenty-eighth Street station is 13 minutes from Hoboken and the Erie station, 15 minutes from Grove and Henderson Streets 16 minutes from Exchange Place, and 19 minutes from Journal Square.

Compared with the foregoing fares and distances on respondent's lines, a passenger can travel on the three rapid transit systems serving Manhattan and Brooklyn, N. Y.,

for maximum distances on the respective systems of 13.28, 17.65, and 18.80 miles at a 5-cent fare. All of these systems, however, regularly receive financial aid from the city of New York. Generally, in Jersey City rents are lower than in New York and taxes are lower than in Manhattan.

One-way fares of 10 cents apply on the trunk-line railroads for distances of from 0.6 mile to 5 miles, but apparently little, if any, commutation traffic moves under those fares. Most of the commutation passengers using the ferries travel on period tickets, good generally for from 10 to 60 trips. The 60-trip monthly tickets vary from 7 to 10 cents per trip for distances up to at least 6 miles. For example, on the Central Railroad of New Jersey the 60-trip monthly ticket between 10 New Jersey stations, 1.3 to 5 miles from Jersey City, on the one hand, and New York on the other, ranges from 8.7 to 10 cents per permissive trip; and between New York Central stations in upper Manhattan and Grand Central Station, from 4 to 5 miles, it averages 7 cents. The principal competition of respondent's downtown service is with the railroad-owned ferries, of which six operate between stations in Weehawken, Hoboken, and Jersey City, the latter in close proximity to the Exchange Place station of respondent, on the one hand, and points in lower Manhattan within a few blocks of Hudson Termi- [fol. 542] nal, on the other. The fares on these ferries range from 3 to 6 cents per trip, and on several of them volume transportation may be purchased at the rate of 10 trips for 25 or 30 cents, or 21 trips for 60 cents.

Protestants base their objection to the proposed fare upon the grounds that the present fare is wholly adequate for the service rendered thereunder, and is as high as the traffic may reasonably be expected to bear and will bear; and that before any increase in respondent's fares is authorized, the possibility of securing additional revenue from the Pennsylvania through increased divisions on interline traffic with that road should be more thoroughly explored. They emphasize that Jersey City, Hoboken, and other municipalities in Hudson County, which extends along the west bank of the Hudson River and New York Bay and largely parallels lower Manhattan on the other side of the river, are integral parts of the New York metropolitan area; that the reasonable further development of that area depends in large measure upon the transit facilities afforded between the residential suburban communities,

such as those here vitally concerned, on the one hand, and the great industrial and commercial center of lower Manhattan on the other; and that in order to meet the transit requirements of northern New Jersey in that respect respondent should be and can be made to serve more advantageously, and with greater profit to it, under the present fares than under increased fares. Indeed, protestants insist that since this New Jersey area is in strong competition for population and industries with other sections east of the river, between which and lower Manhattan a 5-cent fare prevails for much longer hauls than on the lines of respondent between New Jersey and Manhattan, respondent as well as this New Jersey area would benefit more from 5-cent fare than from any other. They point to the fact that under a 5-cent fare Bronx, Queens, and Kings Counties, east of the river, in a certain period gained, respectively 73, 705, and 219 percent in population, while in the same period the population of Hudson County, under the higher fares of respondent, gained only 30 percent. There can be little doubt that the growth in population of the various suburban communities now composing the New York metropolitan area has been largely dependent upon and commensurate with the development of low-priced rapid-transit service between such communities and lower Manhattan.

Protestants reason that, if the uptown service were as profitable as the downtown service, respondent would not be in need of additional revenue, and that the downtown passenger is here being asked to bear the burden brought about by the unprofitableness of the uptown line, which in turn is due largely, they insist, to the inadequate revenues received by respondent from traffic interchanged with the Pennsylvania. They urge that the downtown passenger cannot be expected to pay more than is reasonable for the service which he receives, regardless of respondent's revenue needs as a whole. It is of course evident that what is reasonable for a particular service depends greatly upon the value of the service to the patron, but it depends also upon the revenue needs of the carrier. It has long been the law that a carrier has no constitutional right to receive what would be deemed a fair return on each distinct class of traffic or service or upon any particular portion or division of its road, independent of any other consideration. *Atchison, T. & S. F. Ry. Co.* v. *United States*, 203 Fed. 56,

affirmed, 231 U. S. 736; *Ann Arbor R. Co.* v. *United States*, 30 Fed. (2d) 940. The revenues of carriers are not ordinarily to be judged on the basis of the return upon particular portions or divisions of their roads, but upon their roads as a whole. *Class Rate from Chestnut Ridge Ry. Stations*, 41 I. C. C. 62. The imposition, for the general welfare, of a burden upon one form of service to compensate for an inevitable deficiency in earnings of another form of service performed by the same carrier is not by reason of that fact alone, unlawful. *Fifteen Per Cent Case*, 1931, 178 I. C. C. 539, 565. Respondent has indicated no purpose to [fol. 543] abandon the uptown line. In 1937 it was used by 21,314,081 interstate passengers, of whom 83.3 percent were local and 16.7 percent interline with the Pennsylvania. In that year, as stated, the uptown line contributed more than $300,000 to net income available for bond interest. Under these circumstances we cannot agree that in considering the reasonableness of the proposed downtown fare we must disregard respondent's revenue needs as a whole.

Admitting the need for increased revenue, two questions present themselves: First, is the proposed increased fare reasonable from the standpoint of the value of the service to the public; and second, would it produce the needed additional revenue or would some other fare be more likely to produce the desired result? In determining the latter question, consideration may be and should be given to whether any railroad service of respondent, other than the local downtown service, can be made to, and should be expected to, contribute some or all of the additional revenue needed.

From what has already been said herein it is evident that any increase in the uptown fare of 10 cents could hardly be expected to return increased net revenue to respondent. The only other possible source of increased revenue in the uptown service would be by increasing the Pennsylvania's division of 8.64 cents on the joint rapid-transit traffic, which will be later discussed. In this connection, however, it is noteworthy that the cost per passenger to respondent in the uptown service is evidently substantially greater than that in the downtown service. This is apparent, not only from the difference in the hauls, but from the number of passengers per car transported on the respective lines. Thus, during the morning and evening peak traffic the

average number of passengers per car to and from New York on a typical weekday is, respectively, 80.8 and 85.8 downdown and 53.1 and 73.3 uptown, and during the 24-hour period, 42.2 downtown and 22.8 uptown. The combined average of the two is 34.6 passengers per car. From the standpoint of the cost of the service to respondent, therefore, as well as of the value of the service to the passenger, it would seem that if 10 cents is a maximum reasonable fare for the uptown service the reasonable fare for the downtown service must be something less than 10 cents.

Protestants state that the circumstances and conditions on the downtown line under which the 6-cent fare was approved in 1920 have not since changed. They point out that practically the same equipment which was then used is still in service and that the quality and quantity of the service is about the same, but that the 1937 volume of passengers was greater than in 1920. Admitting that respondent's fundamental problem is a decline in traffic and an increase in expenses, protestants insist that the traffic decline is in no way attributable to the local downtown traffic, which in 1937 was 110 percent of that in 1919 as compared with 60 percent on the uptown line. They point to the fact, as stated by respondent, that while the decline since 1919 in traffic on its line as a whole to 83 percent in 1937 has been no greater than that on the New Jersey railroads generally, there has been no such general decline in traffic east of the Hudson River. For example, on the Long Island Railroad the 1937 traffic was 141 percent of that in 1919, on the New York Central it was 116 percent, on the New York, New Haven & Hartford 101 percent, and on the New York, Westchester & Boston 193 percent.

As stated, respondent is a party to a number of Pennsylvania Railroad tariffs publishing joint commutation and noncommutation fares to and from New York. From and to points within the New York commuting area in Pennsylvania and New Jersey a supplemental fare of 15 cents per trip on single-trip tickets and 10 cents per trip on commutation or other multiple-trip tickets is charged by the Pennsylvania on all traffic using its Thirty-third Street Station in New York. The charging of supplemental fares as a regulatory practice under these circumstances, in order to avoid congestion from and to that station, was found to be not unreasonable or otherwise unlawful in [fol. 544] *Davis* v. *Pennsylvania R. Co.*, 226 I. C. C. 723,

decided March 22, 1938. No extra or supplemental fare is assessed on Pennsylvania Railroad passengers using either the joint service of respondent or the Pennsylvania's own ferry service from Exchange Place to New York. The division of 5 cents which respondent receives from the Pennsylvania for transporting the latter's line-haul passengers from Exchange Place to Hudson Terminal was agreed upon in 1903, and has not since been changed. No such arrangement has been made with the Erie or the Lackawanna, whose time-tables merely refer to respondent as an available facility between their respective railheads and New York, and state the fare of 6 cents downtown and 10 cents uptown for such supplemental services. In 1935, a typical year, 47 percent of the Erie passengers and 48 percent of the Laskawanna passengers who could have used the ferries without additional charge made use of the lines of respondent at the extra fare. Thus, such Pennsylvania Railroad passengers entering New York can reach Hudson Terminal at a lower rate of fare than can the Erie or Lackawanna passengers, and the division paid for such trans-Hudson service by the Pennsylvania is only one-half of the local fare herein proposed for such service, even though the great volume of the local traffic moves during the peak periods and undoubtedly with much less comfort and convenience to the passenger than is true of many, if not most, of the trunk-line passengers transferred at Exchange Place, a large proportion of whom travel at other than peak periods. Moreover, out of the revenue accruing to respondent from the 5-cent division, respondent pays back to the Pennsylvania 46 percent thereof for easements granted by the latter for subsurface rights at Exchange Place. In 1937 that payment amounted to $30,964.

Respondent's divisions from the joint rapid-transit service of 7.64 cents downtown and 8.64 cents uptown are substantially on the basis of a mileage prorate, although respondent's investment is about $8,000,000 per mile as compared with a much smaller proportionate investment by the Pennsylvania in its Newark line. Out of those divisions respondent pays the Pennsylvania for 917 feet of trackage rights between the tunnel portal and Journal Square and for the use of the joint facilities at Journal Square station. This payment aggregated $81,664.41 in 1937.

Protestants contend that the benefits to the Pennsylvania from its joint arrangements with respondent far outweigh

the financial returns therefrom; that the contractual relations between the two roads are inequitable and unjust to respondent and result in placing an undue burden upon its local passenger traffic; and that if these inequities were corrected so that respondent would receive from the Pennsylvania adequate compensation for the services rendered to the latter, and a local fare on both the downtown and uptown lines of 5 cents instead of 10 cents were established, respondent would thereby increase its earnings and insure profits to its stockholders. In 1908, prior to construction of the tunnel and Thirty-third Street terminal of the Pennsylvania, the trans-Hudson ferries of that road transported about 30,000,000 passengers, as compared with only 565,000 in 1937. The Pennsylvania is the only road, of the many serving the New York metropolitan area, which has joint arrangements with any carrier serving lower Manhattan. On the uptown line it has the advantage of originating and discharging passengers at six stations in addition to Thirty-third Street. Such arrangements have made it possible for that road to terminate its local New Jersey passenger traffic at a number of advantageous points on Manhattan without any capital investment at such points, and to operate its Thirty-third Street terminal much more advantageously than would otherwise be the case. For operating reasons the Pennsylvania is anxious to avoid use of its Thirty-third Street terminal by commutation traffic and, as stated, its efforts in that respect by charging supplemental fares for that purpose have been approved. According to a witness for the Pennsylvania, the cost of terminating or originating [fol. 545] a passenger at the Thirty-third Street station of that road is about 84.8 cents, exclusive of the cost of operating the trains. As stated, the Pennsylvania pays to respondent for the privilege of using the latter's facilities to Manhattan from 5 cents to 8.64 cents per passenger, the latter amount taking the passenger to a station immediately adjoining the Pennsylvania Station. In exchange for the foregoing chief benefits accruing to the Pennsylvania by virtue of this joint arrangement with respondent, the latter received from the Pennsylvania in 1937 a net amount approximating $1,140,804.

Regarded from the standpoint of what is reasonable, if the present division of 7.64 cents downtown and 8.64 cents uptown in the joint rapid-transit service, in which respondent bears the expense of only one terminal service, are to be

regarded as inadequate, it would seem difficult to find not justified at least some increase in the local downtown fare of 6 cents, which embraces the expense of two terminal services. What has just been said, of course, has no bearing upon the adequacy or inadequacy of the 5-cent division to respondent on Pennsylvania line-haul passengers interchanged at Exchange Place, which in 1937 numbered only 1,447,783, and produced for respondent $72,389.15 in revenue. In the joint rapid-transit service 11,485,088 downtown and 3,553,511 uptown passengers were transported in 1937, from which respondent derived $1,184,484, an average of 7.88 cents per passenger, as compared with an average of 7.2 cents per passenger under the local fares of 6 and 10 cents, and 7.1 cents under all of respondent's local fares. It is thus apparent that if the additional revenue of about $1,000,000 here sought is to be derived from the Pennsylvania passengers, it could be done only by increasing re-pondent's divisions therefrom, on the basis of the 1937 traffic, by about 80 percent. The average joint commutation fare on Pennsylvania passengers between New Jersey points and Hudson Terminal, on the basis of 60 trips a month, is about 14.3 cents. Respondent states that the present contracts embodying the joint arrangements with the Pennsylvania on the joint rapid-transit service were signed in 1932, at which time the revenue possibilities in this respect were quite thoroughly explored, and that since the average division which it now receives on Pennsylvania traffic exceeds somewhat the average of all of respondent's local fares, it is not in a position to seek an increase in those divisions until its present local fare on the downtown line has been increased.

Protestants urge that, since downtown New York may be reached from residential areas east of the Hudson River for distances of more than 10 miles at a 5-cent fare, the proposed fare would place Jersey City under a competitive handicap, so that it could not hope to locate new industries and population or to hold its present industries and population. It is claimed that real-estate values in Jersey City, especially in the vicinity of Exchange Place and Journal Square, as well as in Bayonne and other nearby communities, would be seriously depreciated, and that numerous wage earners, who comprise most of the commuters, could not bear an increase in transportation costs and would be

forced to move to other residential areas affording cheaper transportation to and from their daily employment. They particularly stress the fact that Jersey City is geographically nearer to downtown New York than any other suburban area, and that therefore any fare which is twice that to and from residential areas east of the Hudson River would completely disregard the geographical advantages of Jersey City. The acting mayor of that municipality testified that, if the proposed fare should become effective, the only recourse for the protection of the interests of the city and its people would be to divert the local transportation facilities from the respondent to the ferries so as to permit travel to and from lower New York at transport-tion costs no greater than at present by use of the downtown line of respondent.

Under the proposed fare the transportation cost to the passenger would be increased on the basis of 60 trips monthly from $3.60 to $6 per month to the passenger within [fol. 546] walking distance of respondent's stations in Hoboken or Jersey City, from $6.60 to $9.00 per month to those paying a 5-cent bus or trolley fare to reach respondents' stations, and from $9.60 to $12 to those paying a 10-cent fare to respondent's stations. The population of the various communities of Hudson County embraced in the area from which the foregoing bus and trolley fares prevail is about 700,000, a large percentage of whom travel daily except Sundays over respondent's downtown line.

Compared with the foregoing monthly costs the 60-trip commutation fares between New York and points 15 miles distant are $8.26 on the Central of New Jersey, $9.18 on the West Shore, $10.30 on the Erie, $10.45 and $11.10 on the Lackawanna, $8.58 on the Pennsylvania, $10.94 on the New York, New Haven & Hartford, $9.29 on the New York Central, and $7.48 and $9.30 on the Long Island. The first five fares include trans-Hudson transportation by ferry, and the fare on the Pennsylvania includes the use of respondent. This latter fare of $8.58, for example, applies from Elizabeth, N. J., and is lower than the resulting cost of $9 from points within the 5-cent bus zone to respondent's stations plus the proposed 10-cent fare. Passengers traveling from Elizabeth to New York pass through a portion of that bus zone. Monthly commutation service between New Jersey stations and lower Manhattan ferry stations or Hudson Terminal may be had for less than $8 from Newark on

the Pennsylvania, 8.8 miles, and Hillside on the Lehigh Valley, 12.7 miles; for less than $9 from South Elizabeth on the Pennsylvania, 14.9 miles, and Roselle Park on the Lehigh Valley, 16 miles; and for $12 or less from Menlo Park, 24.2 miles, Perth Amboy, 11.88 miles, and Cliffwood, 32.8 miles, on the Pennsylvania, and from South Plainfield, 26.5 miles, New Market, 29.1 miles, and Bound Brook, 33.1 miles, on the Lehigh Valley. To lower Manhattan ferry stations from New Jersey points on the Erie, Lackawanna, Central of New Jersey, and West Shore the monthly commutation fares range from $5.28 from various stations in Jersey City and from North Bergen 2.5 miles, and Bayonne 5.4 miles, to $5.40 from Secaucus 4.5 miles; $7.92 from Elizabeth 12.5 miles; about $9 or less from Harrison 8 miles, Carteret 16.7 miles, East Orange 11.6 miles, and Bergenfield 13 miles; and less than $12 from Bound Brook 31.2 miles, South Orange 15 miles, Ridgewood 21.9 miles, Verona 21.1 miles, and Midland Park 25.2 miles. With such large areas available west and east of the Hudson River from which the transportation would be cheaper than from Jersey City and other points in Hudson County, protestants insist that there would be a strong inducement to move elsewhere and take advantage of such cheaper transportation.

The number of passengers using the busses of certain protesting bus companies in reaching the New Jersey stations of respondent for the purpose of using the latter's facilities approximate 20,000,000 a year. These bus lines represent an investment of over $4,000,000 and cover 50 miles of routes in Hudson County and 57 miles to and from suburban towns. They did a gross business of $4,412,596 in 1930 and $3,426,544 in 1937, a loss of about 22.4 percent, as compared with a loss in respondent's railroad operating revenues during that period of 30 percent. All or practically all of these bus lines in Hudson County were in full operation in 1925, and to them protestants ascribe the increase in respondent's traffic subsequent to 1920. If the proposed fare were to become effective and protestants' claim that a great number of passengers now using the facilities of respondent would seek cheaper means of transportation to and from New York were realized, these bus lines would feel called upon to shift a substantial portion of their facilities now reaching respondent's stations to the nearby ferries or to nearby steam-railroad stations. For example, Bayonne passengers using respondent's downtown line now

pay a 10-cent bus fare plus respondent's fare of 6 cents, or 16 cents. The Central of New Jersey serves Bayonne, about 6.5 miles from New York, at a 60-trip monthly fare in- [fol. 547] cluding ferry transportation of $5.36, or about 9 cents per trip if within walking distance of the station and 14 cents if within a 5-cent bus zone. By use of the proposed fare the cost to such passengers would be 20 cents, which protestants state would reflect such a marked difference over the Central of New Jersey fare that the latter would be preferred. For every such passenger now using the line of respondent the bus company serving Bayonne would either lose 5 or 10 cents, dependent upon whether the passenger elected to walk to the Central of New Jersey station or use a re-routed bus. Greenville and West Bergen, N. J., passengers can now reach lower Manhattan for 11 cents by paying a 5-cent bus fare and the present downtown fare of respondent. If the latter fare were to become 10 cents the cost of such passengers would be increased to 15 cents, as compared with fares over the Central of New Jersey of 9 cents to those walking to the station and 14 cents to those using a 5-cent bus to the station.

Commuters and other passengers living in various sections of the New Jersey commuting area testified that if the increased fare becomes effective they will use other and cheaper trans-Hudson facilities. Protestants estimate that the proposed fare would result in an annual diversion from respondent of not less than 20,000,000 passengers or close to half of the 41,920,020 that traveled at the 6-cent fare in 1937. Much of this diversion, they believe, would come from Lackawanna and Erie passengers now paying the extra 6-cent fare instead of taking advantage of the free ferry service. About 16,450,000, or nearly 50 percent of the total Erie and Lackawanna trans-Hudson passengers, used respondent's facilities in 1937. What proportion of that number used the downtown line does not appear. The remainder of the diversion it is estimated would be from passengers reaching respondent's New Jersey stations mostly by bus or on foot.

It is apparent that the price factor is not the only consideration which enters into the choice by many passengers of trans-Hudson transportation, for the transportation cost to numerous passengers now using the downtown line as well as the through bus service via the tunnels or the bridge is somewhat greater than it would be if one or another of the ferries were used. Undoubtedly the matters of conven-

ience and of time are important. However, it stands to reason that there is a limit beyond which price becomes the determining factor, especially in a period of business recession such as exists today, and to commuters many or most of whom are in the low-income class. It is clear that cheaper transportation facilities are available to a large number of respondent's passengers now using the downtown line, at fares which are materially lower than in connection with respondent should the proposed fare become effective. The record leaves no doubt that in the latter event a substantial proportion of such passengers would use other and cheaper facilities, at least for a time. Conditions at this time are such that the price factor would necessarily be given greater weight by the average commuter than was the case in 1920. Under such conditions an increase today from 6 to 10 cents on the downtown line in what is very largely a commuter's fare, would be quite a different thing from the increase in 1920 from 7 to 10 cents on the uptown line in what was to a material extent a noncommuter's fare and therefore not so susceptible to the price factor, even in normal times. It is evident, therefore, that the traffic loss which respondent might be expected to experience under the proposed fare would be substantially greater than was the case on the uptown line in 1920.

Protestants state that while respondent is efficiently operated it is inefficiently managed, and that if this were not so the uptown line would today be paying its way as does the downtown line and thus the revenues of respondent would be adequate to meet its needs. In support of this charge protestants point to the fact that respondent has made practically no effort to advertise its services to the public, has [fol. 548] made no attempt to contact any of the local bus lines serving its New Jersey stations with the object of meeting the competition of through bus lines or private automobiles using the two vehicular tunnels or the bridge, and has failed to effect joint arrangements, somewhat like those maintained between it and the Pennsylvania, with the Lackawanna and the Erie, and perhaps, through extension of its rails, with the Baltimore & Ohio, the Central of New Jersey, and other railroads, and to the alleged fact that respondent is not securing adequate revenue from the Pennsylvania for its services to that carrier.

Compared with other fares which are generally used by commutation passengers between the New York commuting

area and downtown Manhattan, especially from and to New Jersey points, the proposed fare is high. It is true, as urged by respondent, that its average investment is about $8,000,000 per mile, as compared with an average for all class I railroads in the country of about $112,000, but that comparison means little for respondent's facilities are all essentially terminal or metropolitan whereas the opposite is true of the class I carriers generally. What the average investment in terminal facilities of the latter carriers and more particularly the New York City carriers may be does not appear. Placed alongside the fares or charges of record, other than those on the city-subsidized New York subways, for somewhat similar transportation services on other lines in the New York metropolitan area, a maximum reasonable local fare on the downtown line of respondent may not exceed 8 cents.

A fare of 8 cents would restore the 2-cent spread prior to 1920 between the uptown and downtown fares, thus eliminating respondent's criticism of the present spread as having had the effect of diverting a substantial number of passengers from the uptown to the downtown line.

From the standpoint of revenue results to respondent, the precise traffic diversion under any increased fare is, of course, not susceptible of exact calculation, but the record is convincing that under a 10-cent fare it would be materially greater than the maximum of 15 percent estimated by respondent. While certain of protestants' witnesses stated that they would be as strongly opposed to an 8-cent as to a 10-cent fare, the preponderance of the evidence indicates that the diversion would be substantially greater under a 10-cent than under an 8-cent fare. Because of the expressed intention if the present fare is increased of establishing through bus service between Hudson County and downtown New York, a form of competition which is more likely to materialize in substantial degree if respondent's downtown fare is made 10 cents than if it is made 8 cents, and bearing in mind the declining revenue results entailed chiefly by motor competition under the 10-cent fare on the uptown line, upon this record we find as a fact that the revenue results to respondent, especially over an extended period of time, would be more favorable under an 8-cent than under a 10-cent fare on the downtown line.

Assuming as did respondent a loss of traffic generally in 1938 under 1937 of 2 percent, and assuming a maximum

traffic diversion from the downtown line of 15 percent, the net income available for bond interest at the end of 1938 on the basis of respondent's estimates but with an 8-cent downtown fare would be about $2,260,817. That amount would represent a rate of return of 3.4 percent on the basis of the original cost and 3.31 percent on the basis of the depreciated reproduction cost new. If respondent should feel impelled to seek a further increase in revenue, it should consider doing so on interline traffic.

We conclude that the proposed fare of 10 cents would be unreasonable under sections 1 and 15a of the act and has not been justified, but that a fare of 8 cents has been justified. The suspended schedules will be required to be canceled and [fol. 540] the proceeding discontinued, without prejudice to the establishment of a maximum fare of 8 cents.

MILLER, *Commissioner*, dissenting:

I dissent from the finding of the majority that the proposed fare of 10 cents has not been justified. The record leaves no doubt in my mind that this fare would be reasonable and lawful for the services performed, and that it has, therefore, been amply justified. The majority report leaves me with the impression that this respondent, which is badly in need of revenue, is denied the right to assess this fare simply because of a fear that it would result in a material diversion of traffic from its line. The respondent is willing, and is entitled, to assume this risk. We have no right to substitute our judgment in this respect for that of the management of the respondent.

I am authorized to state that Commissioner Mahaffie concurs in this expression.

Commissioner Eastman did not participate in the disposition of this proceeding.

[fol. 550]

APPENDIX

Hudson & Manhattan Railroad passengers carried by routes

	New Jersey Intrastate		Rapid transit, uptown and downtown		Uptown, including New York intrastate		Downtown		Grand total	
	Passengers	Index numbers	Passengers	Index numbers	Passengers	Index numbers	Passengers	Index numbers	Passengers	Index numbers
Year 1919	1,637,383	100	24,033,768	100	30,319,813	100	38,111,497	100	94,102,461	100
Year 1920	1,584,110	97	23,783,605	99	27,087,589	89	38,716,225	102	91,171,529	97
Year 1921	1,835,784	112	25,899,386	108	28,083,120	93	41,321,759	108	97,140,049	103
Year 1922	2,130,347	130	26,838,266	112	28,770,212	95	43,484,021	114	101,222,846	108
Year 1923	2,705,584	165	27,225,615	113	29,618,468	98	46,405,028	122	105,954,695	113
Year 1924	2,389,849	146	27,390,221	114	30,007,500	99	47,226,123	124	107,013,693	114
Year 1925	2,443,808	149	27,398,235	114	30,675,443	101	48,067,001	126	108,584,487	115
Year 1926	2,250,393	137	27,156,448	113	31,418,219	104	49,375,571	130	110,200,631	117
Year 1927	2,196,790	134	27,745,429	115	31,891,747	105	51,307,763	135	113,141,729	120
Year 1928	2,053,701	125	27,036,524	112	30,512,632	101	52,186,165	137	111,789,022	119
Year 1929	1,966,791	120	26,443,684	110	29,480,062	97	54,405,315	143	112,295,852	119
Year 1930	2,036,249	124	24,288,046	101	27,407,490	90	52,961,725	139	106,693,510	113
Year 1931	1,806,472	110	21,381,341	89	24,867,202	82	48,407,014	127	96,462,029	103
Year 1932	1,354,197	83	18,411,394	77	21,221,458	70	42,705,313	112	83,692,362	89
Year 1933	1,268,933	77	16,298,360	68	18,406,246	61	39,615,095	104	75,588,634	80
Year 1934	1,544,091	94	16,355,546	68	18,187,443	60	40,225,343	105	76,312,423	81
Year 1935	1,516,773	93	16,437,679	68	17,761,975	59	40,268,662	106	75,985,089	81
Year 1936	1,575,860	96	16,871,914	70	18,175,132	60	41,845,442	110	78,468,348	83
Year 1937	1,469,017	90	16,486,382	69	18,114,438	60	41,920,020	110	77,989,857	83

[fol. 551] PLAINTIFF'S EXHIBIT "5"

ORDER

At a General Session of the Interstate Commerce Commission, held at its office in Washington, D. C., on the 3rd day of August, A. D. 1943.

Investigation and Suspension Docket No. 4394

Passenger Fares on Hudson and Manhattan Railroad Company

Upon consideration of respondent's petition of July 8, 1943, for reconsideration and modification of the findings made in the report on further hearing of June 8, 1943, and of the replies thereto; and upon further consideration of the record in the above-entitled proceeding:

It is ordered, That the said proceeding be, and it is hereby, reopened for reconsideration.

By the Commission.

W. P. Bartel, Secretary. (Seal.)

[fol. 552] INTERSTATE COMMERCE COMMISSION

Investigation and Suspension Docket No. 4394

PASSENGER FARES OF HUDSON & MANHATTAN RAILROAD COMPANY

Decided August 3, 1943

Upon reconsideration, conclusion in report on further hearing that a proposed local passenger fare of 10 cents for use on the downtown line of the Hudson & Manhattan Railroad Company had not been justified, but that a fare of 9 cents had been justified, modified in part by a-thorizing an alternative-fare basis of 11 tokens for $1, or a cash fare of one dime, for application during the remaining period of the war and 6 months thereafter. Prior reports, 227 I. C. C. 741, 255 I. C. C. 649.

Appearances shown in the report on further hearing.

REPORT OF THE COMMISSION ON RECONSIDERATION

PORTER, *Commissioner:*

In the report on further hearing, 255 I. C. C. 649, decided June 8, 1943, hereinafter called the prior report, we reached

the conclusion that a proposed passenger fare of 10 cents for local application on the downtown line of respondent Hudson & Manhattan Railroad Company had not been justified, but that a fare of 9 cents, instead of the present fare of 8 cents, had been justified for use during the remaining period of the war and 6 months thereafter. We modified our conclusions in the original report, 227 I. C. C. 741, accordingly.

Upon petition of respondent for reconsideration and modification of the findings made in the prior report, to which protestants replied, the proceeding has been reopened for reconsideration. Respondent states in its petition that it is impracticable to collect a 9-cent fare as authorized by us without causing serious public inconvenience and depletion of its revenues, and that modification of our findings in the prior report is necessary in order to permit practicable compliance therewith. Accordingly, it asks that the following conclusion in our report:

> We further conclude that an increased local fare of 9 cents on respondent's downtown line has been justified, for application during the remaining period of the war and 6 months after its termination,

be modified so that it will read:

> We conclude that an increased local fare on respondent's downtown line has been justified on the basis of alternative fares of 11 tokens for one dollar, or a cash fare of 10 cents, payable only by a dime. These proceedings are held open for application by any party for further consideration, by reason of changed conditions, of the fares so authorized.

Respondent further asks that such modified findings and the authority accorded thereby be conditioned upon a reduction in the present fare of 10 cents on its uptown line by making such tokens, at the rate of 11 for $1, applicable [fol. 553] also on that line, the cash fare to continue at 10 cents, payable only by a dime. Pending the procurement of the necessary tokens and the making of the required alterations in the fare-collection boxes, respondent asks authority to charge on both its uptown and downtown lines a cash fare of 10 cents, payable only by a dime. The petition is grounded upon certain additional statements of

fact, supported by an affidavit of the chairman of respondent's board of directors, which are summarized below.

The fare-collection boxes which have long been used by respondent consist of a concave receiving basin in which there are a number of holes through which pennies, nickels, dimes, and quarters pass into a glass-encased case and then through a chute and past a baffle plate to an inspection belt, which moves the coins to a position where they can be observed by the attendant, after which the coins drop into a receptacle constituting a part of the counting mechanism in the box. A revolving plate selectively separates the coins in the collecting receptacle and passes them through a counting device, which visibly records the amount of money passing through it, after which the coins drop into removable coin-collecting can which, upon removal becomes automatically sealed.

The capacity of the coin receptacle and the selection and counting mechanism in these fare boxes is limited, and the number of fares which they can receive, select and count depends upon the number of coins and the rate at which they are deposited therein. The minimum number of coins which any passenger can deposit in the boxes under the present 8-cent fare on the downtown line is 4 and the maximum number is 8. Under a cash fare of 9 cents the minimum number would become 5 and the maximum 9. During the approximately 3 hours of peak traffic about 60,000 passengers pass through the Hudson Terminal station alone each week day. Passengers pass fare boxes at a rate as high as 3 per second. Under the present 8-cent fare repeated stoppages of the fare boxes have occurred by overloading the receptacle associated with selector plate and counting mechanism. Experiments have shown that the increased number of coins, which could be used to pay a 9-cent cash fare would so exceed the capacity of the receptacle, selection, and counting devices as to cause frequent stoppages and consequent serious delay to the traveling public, particularly to passengers wishing to connect with trains of the Pennsylvania Railroad Company at Newark, N. J., and Exchange Place, Jersey City, N. J., of the Erie Railroad Company at Erie Station, Jersey City, and of the Delaware, Lackawanna & Western Railroad Company at Hoboken, N. J. Such stoppages and detention of passengers would require waiting trains, which during peak-traffic periods must operate on a 3-minute schedule, with a

90-second headway through the tunnels, to depart only partially filled, while succeeding trains would be inadequate to accommodate the accumulated traffic.

When a stoppage of the fare-box mechanism occurs, it is necessary for a skilled mechanic to clear it so as to restore it to service or to replace it with another. Due to war conditions there is a critical scarcity of such skilled mechanics, but even if this were not so, such stoppages results in the detention of passengers waiting to pass the fare boxes. Investigation has disclosed to respondent that not only are no other appliances or facilities presently available to it which would render feasible the collection and counting of a 9-cent cash fare, but there is no device which, under mass transportation conditions, will collect and count multiple-cash fares requiring the use of more than four coins.

Respondent states that it is not feasible to use either single or multiple-trip tickets because fare boxes cannot be adapted to effect the necessary mutilation thereof so as to prevent their reuse, nor can it use commutation tickets for this traffic because the examination and punching of such tickets, or the identification of the holders thereof, either at congested station entrances or on crowded [fol. 554] trains is impracticable during the peak-travel hours. Moreover, the sale of such tickets and the inspection, examination, and cancellation thereof would require a large expansion of personnel and facilities, with a consequent increase in operating expenses beyond those contemplated in the prior report. Respondent insists, therefore, that the only practicable method by which it may collect and retain a substantial portion of the additional revenues to which we have found it is entitled is by the use of alternative fares limited to tokens and dimes.

It is, however, impracticable to limit token fares for use only on respondent's downtown line. This is so because there is no way by which it can determine whether a passenger entering a station in New Jersey intends to use the uptown or the downtown line, and any passenger would be able to enter a New Jersey station by depositing a token. At present all eastbound passengers entering New Jersey stations deposit 8 cents in coins. Passengers traveling to the Hudson Terminal on the downtown line, having fully paid the 8-cent fare, leave that station without further payment. Passengers traveling to Manhattan stations on the uptown line are required to deposit 2 cents in coins in fare

boxes at the station of exit, thereby paying the remainder of the present 10-cent fare in effect on that line. If the use of tokens as proposed by respondent were restricted to patrons of the downtown line, and the 10-cent fare were continued as now on the uptown line, these facilities for collecting upon exit the balance of the fare would have to be retained at the uptown stations. Also, if a passenger intending to use the uptown line should pay a dime upon entering a New Jersey station, respondent would be compelled to issue to such passenger an exit coupon which would permit him to leave an uptown station without further payment. This would require the passenger to indicate to the farebox attendant at the New Jersey station that he was depositing a dime and not a token, and that he was entitled to such an exit coupon, thereby retarding the entrance of other passengers at that fare box. Moreover, it would be difficult to police the proper issuance and use of such free exit coupons, and respondent fears that it might thereby be subjected to the loss of substantial revenue. Accordingly, respondent is willing to reduce its local fare on the uptown line and suffer a reduction in its revenue therefrom in order to make practicable the use of its proposed token fares, and to avoid the disastrous results which it fears would attend any attempt to collect a cash fare of 9 cents.

The use of token fares on boths its lines will reduce the revenue which respondent might reasonably expect to earn under the findings in the prior report. In 1941, the latest full year for which the results were before us at the time of that report, the number of downtown local passengers was 31,726,773. In 1942 that figure increased to 33,620,045, and in the first six months of 1943 to 19,385,723 or, adjusted to an annual basis, 38,771,448 for 1943. An increase of 1 cent in the fare paid by those passengers, assuming that no diversions would occur by reason of the increased fare and that a 9-cent fare could be collected, would result in additional revenue per year of $387,714. Upon investigation, respondent believes that if the proposed alternative token and cash fares were established about 90 percent of the passengers would use tokens and about 10 percent would use dimes. Based upon that assumption, it estimates an annual revenue gain on the downtown line of $458,208 and a reduction on the uptown line of $153,605, or a net gain

of $304,603, which is $83,111 less than its estimated gain under a 9-cent cash fare if such a fare were collectible.

The sale of tokens in lots of not less than 11 for $1, respondent submits, would serve the convenience of the public by making it unnecessary for passengers to purchase tokens more frequently than about once a week or to obtain any small change in making such purchases. The sale of tokens in lots of less than 11 would require an increase in respondent's facilities and personnel in order to handle [fol. 555] more frequent sales and to meet complicated change requirements, which would result in inconvenience to and delay of passengers in obtaining tokens and change, and would increase respondent's operating expenses. Such tokens would afford passengers material advantages over the use of individual commutation tickets in that they would not be limited to use as to time nor restricted to use by the purchaser only, but could be used at any time and by any member of the purchaser's family or by others.

Certain governmental priority authorizations will be required for the use of strategic metals contained in the proposed fare tokens, and there will be some delay in making the dies, processing the metal, and in obtaining an adequate supply of the tokens. The alteration of the fare-box mechanisms and devices so they will handle only tokens and dimes will also require governmental priorities for the required metals, and it will take some time to manufacture the necessary parts and thereafter to install them for use. Respondent estimates that it will require at least 90 days or until early October to obtain tokens and to alter the fare boxes. In the meantime it asks for authority to charge a uniform cash fare on both of its lines of 10 cents, payable only by a dime, with the understanding that it will exercise the utmost diligence in putting into use the alternative token and dime fares.

In support of its request for this interim authority respondent points to the fact that our order of January 21, 1942, in *Increased Railway Rates, Fares, and Charges, 1942*, 248 I. C. C. 545, authorized it to increase its downtown fare to 9 cents and its uptown fare to 11 cents. For the reasons stated in the prior report, respondent did not avail itself of that authority and elected to petition for reopening of the instant proceeding. But if it had availed itself of that authority and it had been practicable to collect the increased fares, respondent would have earned additional

gross revenue from February 1, 1942, when the increased fares might have been made effective, to June 30, 1943, of about $750,888, assuming that no diversions of any consequence would have occurred by reason of such a fare increase. Moreover, had it been practicable to collect the 9-cent fare on its downtown line as authorized by us in the prior report respondent would have earned, and its downtown passengers would have paid and would continue to pay, about $1,000 a day more than they are now paying. Since respondent must forego that additional revenue until such time as, upon our authority, the alternative fare basis now proposed can become effective, it urges that it is only just and equitable for it to be permitted to charge in the interim a uniform cash fare of 10 cents.

In our conclusions in the prior report we limited our authority for the application of the increased 9-cent fare to the remaining period of the war and 6 months after its termination. We pointed out that conditions were abnormal, that the war contingency reserve of $240,000 per year set aside by respondent, which represents the greater portion of its increased operating costs since 1941, is wholly attributable to a condition which may be expected to be eliminated after the war, and that that amount is greater than the additional revenue which we anticipated would result from the increased fare therein approved. Respondent now urges that presumably when that limitation upon the use of the 9-cent fare was made we could not have had in mind the facts shown in the instant petition with respect to the impracticability of collecting that fare in cash, and that it would not be justified in making the substantial capital expenditures and radical changes in its fare structure on both of its lines if such changes are to be of a temporary nature only. It submits that there is no sound basis upon which anyone can undertake to prophesy what will be the economic and competitive conditions affecting its traffic, either upon termination of the war or 6 months thereafter; that any attempt at such prophecy is mere speculation; and that without any such unwarranted speculation the rights of all interested parties hereto can be adequately protected by holding open this proceeding so as to permit any party [fol. 556] to apply for further consideration of the fares herein authorized upon any change in conditions either preceding or following the termination of the war.

Protestants' replies. The New Jersey protestants in their reply urge that the "effectiveness of the decision dated June 8, 1943, should be indefinitely suspended" and the proceeding set for further hearing or the petition denied in its entirety. The Director of Economic Stabilization and the Director of Price Administration, hereinafter sometimes collectively referred to as the Price Administrator, in their reply urge that we should continue the existing 8-cent fare or at most order fares not in excess of 3 for 25 cents, and that in any event before the fare is permitted to be increased as suggested by respondent a further hearing should be held.

Both of the replies are devoted largely to an exposition of reasons for denying respondent's requests for authority to charge a cash fare of 10 cents on its downtown line pending establishment of the proposed alternative basis and for elimination of that portion of the prior conclusions which limited our approval of the 9-cent fare to the remaining period of the war and 6 months thereafter. Since our findings and conclusions herein accord with the desires of protestants in that respect, those reasons need not be here recited.

The New Jersey protestants state that our prior findings took into account, among other things, the possibility of improved revenue by means of increased operating economies; that the use of alternative token and dime fares applicable to both of respondent's lines would simplify its fare structure and accounting; and that the resulting operating economies which would thus be reflected in its revenue position, as well as the economies which would be brought about by the elimination of the fare-collection facilities for the use of interstate passengers at the uptown stations, have been entirely ignored in the petition. We have given consideration to such economies in reaching our modified conclusions herein.

All of protestants appear to regard the proposed application of the same fare basis on the downtown line as on the uptown line to be in conflict with our observation in the previous reports herein that "from the standpoint of the cost of the service to respondent, * * * as well as of the value of the service to the passenger, it would seem that if 10 cents is a maximum reasonable fare for the uptown service, the reasonable fare for the downtown serv-

ice must be something less than 10 cents." Nothing in that expression, however, may be interpreted to mean that the spread between the uptown and downtown fares might not be narrowed or eliminated by a voluntary reduction in the uptown fare to the basis of the maximum reasonable downtown fare as found by us. If it had been practicable to do so and respondent had taken advantage of the authority given in *Increased Railway Rates, Fares, and Charges, 1942, supra,* most likely its fares would now be 11 cents uptown and 9 cents downtown. Without passing upon the reasonableness of the uptown fare, for of course it is not here in issue, for the purpose of this proceeding we must regard the maximum reasonable uptown fare to be 11 cents, and the alternative fares now proposed by respondent for the downtown line will, of course, be "something less than" 11 cents.

The Price Administrator urges that respondent has not availed itself of other methods of collecting the authorized 9-cent fare, such for example as the use of paper tickets sold at one for 9 cents or 3 for 25 cents. Under such a method all interstate passengers boarding trains in New Jersey would be required to deposit a ticket instead of the present 8 cents. Aside from the relatively unfavorable revenue results which would be entailed by the sale of 3 tickets for 25 cents, such a scheme would be impracticable, first, because a substantial number of such tickets could and probably would be reused, and second, the delay to passengers which would result during the rush-hour period from the purchase of individual tickets and of 3 tickets for [fol. 557] 25 cents would quite certainly disrupt respondent's operations to such a degree as to divert many patrons from its line.

Our attention is called by the Price Administrator to certain testimony at the further hearing by one of respondent's witnesses to the effect that, among other reasons for not taking advantage of our authority in *Increased Railway Rates, Fares, and Charges, supra,* to increase its interstate local fares, was "the fact that, with the existing fare-collection facilities of petitioner, it is probable that it would, in many instances, be unable actually to collect fares of 9 cents and 11 cents in full." This protestant urges that since such testimony was before us at the time of the prior decision and the 9-cent fare was nevertheless found to be reasonable,

respondent should not now be further heard on its claim that maintenance of the latter fare would not be feasible.

Discussion and Findings. Apparently on the assumption that the local fare to be approved by us in the prior report for future use on the downtown line would be either the present fare of 8 cents or that proposed of 10 cents, none of the parties stressed the evidence of record with respect to the feasibility of collecting a cash fare of 9 cents, and it is now apparent that we failed to give to that evidence the weight to which it is entitled. For the reasons hereinbefore recited, we are convinced that the collection of a 9-cent fare in cash would be impracticable. We are satisfied, also, that neither strip tickets, because the reuse of some of them could not be avoided, nor commutation tickets, because their inspection by station attendants would entail too much delay to passengers during the rush hours, would be practicable for use by respondent's local interstate passengers. The substitute fare basis now proposed by respondent, however, with the alternative use of 11 tokens for $1 or a cash fare of a dime, has the advantage of being practical in that it can be conveniently used both by the public and by respondent if made applicable contemporaneously on both the downtown and uptown lines. The approximate use ratio of 90 per cent tokens and 10 per cent dimes which respondent believes will result, and which we may accept as a reasonable estimate, means that practically all of the regular local commuters on respondent's downtown line will use the tokens and thus pay an average fare of 9-1/11 cents, or about the same as we approved in the prior report. In addition, about 90 per cent of the uptown local interstate patrons, which in all will number about 18,774,000 in 1943, will obtain a reduction in their fare from 10 to 9-1/11 cents.

Certain of protestants suggest, although they do not urge, that an outlay of $1 at each purchase of tokens may prove to be a hardship upon some patrons and thus serve as a deterrent against their continued patronage of respondent's lines. We are not persuaded that the sale of these tokens in minimum lots of 11 will result in any material hardship, especially now that the average individual income is substantially above the pre-war level. The usual monthly commutation ticket used by the railroads in the New York metropolitan area costs at least five times as much as will the 11 tokens of respondent, and we have no reason to be-

lieve that the average income of the commuters on respondent's lines is materially different from that of numerous commuters on other railroads in the same area. Moreover, there can be no doubt that the sale of these tokens in packages of 11 for $1 will have a tendency to reduce detention of passengers to a minimum, first, by making unnecessary in most instances the handling of coins, and second, due to the odd number in each package, by causing the average commuter to make purchases at irregular intervals and at different stations. In the handling of mass transportation such as we are dealing with here, the latter consideration, while not controlling, is entitled to weight.

Under the proposed basis the occasional passenger will pay 10 cents on both of respondent's lines. In the prior report we found that the fares and charges of record for commutation service of carriers other than respondent serving the New York metropolitan area afford stronger sup- [fol. 558] port, differences in transportation services considered, for an 8-cent or a 9-cent fare than for a 10-cent fare on respondent's downtown line. That finding, however, was based upon a comparison between fares and services for commutation passengers and not for passengers who may ride only occasionally in commutation equipment. On the railroads generally the latter passengers do not ride on commutation tickets but on standard coach tickets, the price of which is subject to the minimum charge of 10 cents for all classes of rail passenger equipment approved by us in *Passenger Fares and Surcharges*, 214 I. C. C. 174, 257. Upon the facts of record as adduced at the several hearings herein, we now find a fare of 10 cents to be reasonable for the occasional local interstate passenger on respondent's downtown line. As stated, for the purposes of this report, we must regard the maximum reasonable local interstate fare on the uptown line to be 11 cents.

Respondent's estimates as made in its petition of the probable revenue results, first, under a cash fare of 9 cents downtown, assuming that the latter were collectible and no changes were made in the present 10-cent fare uptown, and second, under the proposed basis on both the downtown and uptown lines, are based upon the further assumption, as stated, that no diversions of passengers would occur by reason of the increased downtown fare. Our estimate of probable revenue results under a 9-cent fare as made in

the prior report contemplated a diversion of about 5 per cent. Since the alternative basis now proposed will result in an average fare slightly higher than 9 cents it may safely be assumed, even if the proposed reduction in the average uptown fare should draw some additional traffic to that line, that the net diversion, if any, under the proposed fare basis will be no less than it would be under a practicable 9-cent downtown fare. This being so, we may accept as a fair approximation respondent's estimate of about $83,000 as its annual loss in gross revenue during the remaining years of the war under the fare basis now proposed compared with the revenue which it would have received if the 9-cent fare could have been put to practical use; and, giving due consideration, as the New Jersey protestants urge, to certain accounting and other economies which should result to respondent under the proposed fare basis, we are convinced that its probable net railway operating revenue in those years will be at least no greater under the proposed basis than it would have been under the basis contemplated by our prior findings.

The number of interstate local passengers carried on the downtown line in the first half of 1943, as shown in respondent's petition, adjusted to an annual basis, reflects an increase over 1941 of 18.2 per cent, compared with an increase of 12.7 per cent as estimated by us in arriving at the forecast of probable revenue results made in the prior report. The traffic or revenue results from respondent's railroad operations as a whole, however, for the first half of 1943 or for any other period subsequent to those for which the results were of record at the time of the prior report, are not before us, and we have no reason for believing that they vary substantially from the estimates employed in arriving at our forecast of respondent's probable net income available for bond interest as set forth in that report.

The Price Administrator in his reply does show what purports to be the amount by which respondent failed to earn its full interest requirements in the first 5 months of 1943. The "deficit" so shown is $75,798, and for the 12 months of the year would be $181,915, which according to this protestant, would leave available $1,203,635 for interest on the income bonds, equivalent to 4.34 per cent on $27,711,000 of such bonds, or approximately the same interest rate, 4.42 per cent, as we estimated would result from the

amount so available under a 9-cent fare. Accordingly, it is argued that respondent is not now in need of any increase in its downtown fare. It is apparent, however, that the "deficit" and other results given for the 5-month period are not for the railroad operations only, but also include the operation of respondent's terminal building, and there-[fol. 559] fore are of no value to us in determining whether or not there has been any important change in the revenue results from the railroad operations since the record on which the prior reports is based was closed.

The proposed alternative basis will not increase to any material extent the relative transportation burden of the local commuters on the downtown line beyond that anticipated by our authority as granted in the prior report. We there found that it would be unreasonable to expect the entire burden of the revenue increase to which respondent is entitled to be borne by the downtown local passengers, and that a substantial portion thereof, for the reasons therein stated, should be sought through increased divisions on the traffic interchanged with the Pennsylvania Railroad Company. In its petition respondent states that it will undertake to seek promptly such increased divisions on that traffic as shall be adequate.

We are not impressed, however, with that portion of respondent's petition which would have us authorize the application of a cash fare of 10 cents on the downtown line until such time as tokens can be brought into use. For the reasons given in our prior report, we cannot find a local fare of 10 cents to be reasonable for general application on respondent's downtown line.

Nor can we accede to respondent's request that we eliminate that portion of our prior findings which limits the authority therein granted to the remaining period of the war and 6 months thereafter. Our approval of the general increase in the standard passenger fares authorized in *Increased Railway Rates, Fares, and Charges, 1942, supra*, has been so limited. The capital expenditures and the changes in its fare structure which respondent will make by reason of the fare basis herein approved are, of course, matters which it may urge upon us in a petition for reopening at or after the termination of the war.

Conclusions. Upon reconsideration, we affirm our prior conclusion that the proposed fare of 10 cents has not been

justified for general application on respondent's downtown line. We further conclude that an increased local fare on respondent's downtown line on the alternative basis of 11 tokens for $1 or a cash fare of 10 cents, payable by a dime, has been justified for application during the remaining period of the war and 6 months after its termination; provided, that contemporaneously with the establishment and maintenance of such fares on the downtown line the same alternative basis, namely, 11 tokens for $1 or a cash fare of 10 cents, payable by a dime, be established and maintained on local interstate traffic on respondent's uptown line.

Our prior conclusions and order, to the extent that they are in conflict herewith, are hereby modified accordingly. No order is necessary.

MILLER, *Commissioner*, concurring in part:

I concur in the findings of the majority only insofar as they afford relief from the requirements imposed in the prior report on further hearing. For reasons stated in my prior expressions in connection with this proceeding, I am still of the opinion that the record amply justifies a finding that the proposed fare of 10 cents for application on respondent's downtown line, in the manner proposed by it, would be reasonable and lawful for the services performed and that no sufficient reason has been given for limiting the time during which the proposed fare shall remain in effect.

I am authorized to state that Commissioners Mahaffie and Patterson join in this expression.

Commissioner Aitchison did not participate in the disposition of this proceeding.

By the Commission. W. P. Bartel, Secretary. (Seal.)

[fol. 560] PLAINTIFF'S EXHIBIT "6"

Before the Interstate Commerce Commission, Investigation and Suspension Docket No. 4394

Passenger Fares of Hudson & Manhattan Railroad Company

Petition of Hudson & Manhattan Railroad Company for Reconsideration and Modification of the Findings made by the Commission in its Report on Further Hearing Herein Dated June 8, 1943

Because it is impossible for petitioner, Hudson & Manhattan Railroad Company, to collect a 9-cent cash fare on its downtown line, as authorized by the Commission's findings in its report on further hearing of June 8, 1943, without causing serious public inconvenience and depletion of revenue, petitioner is compelled to ask reconsideration of such findings, and such modification of them as is necessary merely to permit practicable compliance by petitioner with those findings.

Petitioner asks such modification even though it involves a reduction of petitioner's present 10-cent fare on its uptown line, and furthermore involves, pending such modification, the foregoing by petitioner of more than $1,000.00 per day additional revenue.

Accordingly, petitioner asks:

1. That the Commission modify its findings in such report that—

> "We further conclude that an increased local fare of 9 cents on respondent's downtown line has been justified, for application during the remaining period of the war and six months after its termination.";

so as to find that—

> "We conclude that an increased local fare on respondent's downtown line has been justified on the basis of alternative fares of eleven tokens for one dollar or a cash fare of 10 cents, payable only by a dime. These proceedings are held open for application by any party for further consideration by reason of changed conditions, of the fares so authorized."

2. That such modified findings and the authority and permission accorded thereby be expressly conditioned on the reduction by petitioner of the local interstate fare on its uptown line to the extent of making such tokens, sold on the basis of eleven for one dollar, applicable as an alternative fare on said uptown line to the present cash fare of ten cents, such present cash fare thereafter to be payable only by a dime.

3. That, pending the procurement by petitioner of the necessary tokens and the making by petitioner of the necessary alterations of its fare collection boxes to handle and count such tokens and dimes, petitioner be authorized to charge both on its downtown line and its uptown line a cash fare of ten cents, payable only by a dime, such permission to be conditioned upon petitioner's using the utmost diligence to obtain such tokens and to make such alterations of its fare collection boxes at the earliest possible moment.

The grounds of this petition, which are supported by the affidavit of Walter F. Brown, Chairman of the Board and President of the petitioner, annexed hereto and made a part hereof, are as follows:

[fol. 561] I

The physical limitations of the fare collection boxes used by petitioner make it impossible for petitioner to collect and count a 9-cent cash fare on petitioner's downtown line without causing serious public inconvenience through stoppages and detentions of passengers. Such stoppages and detention would reduce the volume of traffic, which petitioner would be able to handle, thereby defeating the Commission's purpose in granting such 9-cent fare, and, in addition, endangering the ability of petitioner to render to the public essential rapid transit service. Under present war restrictions no more efficient fare collection appliance or device is available, nor can the present fare collection boxes be substantially modified. Moreover, petitioner, after extensive investigation, is informed that there is no device which, under mass transportation conditions, will collect and count multiple cash fares requiring the use of more than four coins.

During peak traffic periods passengers pass fare collection boxes at a rate as high as three per second. Any attempt to collect a 9-cent cash fare by means of such fare collection boxes would result in the repeated clogging of the counting mechanism and suspension of the operation of such boxes. In order to clear the collecting devices it would be necessary to prevent passengers from entering while such devices were being restored to operating condition or were replaced. Any clearance would be temporary, and repeated such stoppages would be necessary. While the rate of flow of passengers passing fare collection boxes could be reduced, this would result in the detention of passengers waiting to pass such boxes, and in the mounting accumulation of passengers so detained. Such detentions would result in serious inconvenience, particularly to passengers desiring to make connections with trains of the Pennsylvania Railroad at Newark and Exchange Place, with trains of the Erie Railroad at Erie Station, Jersey City, and with trains of the Lackawanna Railroad at Hoboken. Any attempt at repeated stoppages or detentions of passengers would undoubtedly result in disorder. Stoppage or detention of passengers also would mean that waiting trains would depart partially filled, while succeeding trains would be inadequate to handle the accumulated traffic. Trains now operate during peak traffic periods on a three-minute schedule, with a ninety-second headway through the tunnels. It would be impossible to hold trains or to supply supplemental ones.

Thus it is obvious that an attempt to collect a 9-cent cash fare might well involve the breakdown of a concededly vital and heavily burdened war transportation facility, thereby depriving the public of essential rapid transit service and the petitioner of needed revenue. The reality of these objections is so apparent that petitioner, pending further consideration by the Commission, has felt compelled to forego any attempt to collect a 9-cent cash fare on its downtown line, even though petitioner thereby is losing more than $1,000.00 per day additional revenue which such fare was intended to provide.

II

Petitioner can, within a short time, adapt its present fare collection boxes to receive, handle, and count fares payable only by tokens and dimes.

III

Petitioner cannot practicably use either single or multiple trip tickets or commutation card tickets (a) because petitioner's fare collection boxes cannot be adapted to make the necessary mutilation of such single and multiple trip tickets so as to prevent their re-use, and (b) because the examination and punching of commutation tickets or the [fol. 562] identification of the holders thereof either at congested station entrances or on crowded trains is wholly impracticable during the peak travel hours. Moreover, the sale of such tickets, and the inspection, examination, and cancellation thereof, would require such an expansion of personnel and facilities, with consequent increase in operating expenses, as would prevent petitioner from earning a substantial portion of the additional revenue which the Commission finds the petitioner should have and which the Commission has attempted to provide.

IV

It is wholly impracticable to limit token fares to use on petitioner's downtown line only. There is no way by which petitioner can determine whether a passenger entering a station in New Jersey intends to use its uptown line or its downtown line. Any passenger would be able to enter a New Jersey station by depositing a token. If petitioner should retain its present 10-cent fare on its uptown line as its only fare on such line, petitioner also would have to retain on its uptown line its facilities for collecting upon exit the balance of such 10-cent fare. Moreover, an additional complication would be presented if a passenger intending to use the uptown line should pay a dime upon entering a New Jersey station. Petitioner then would have to issue to such passenger an exit coupon which would permit him to leave a station on its uptown line without payment of any additional fare. This would require such passenger to indicate to the fare collection box attendant at the New Jersey station that he was depositing a dime and not a token, and was entitled to a coupon permitting him to exit at a station on the uptown line without additional payment, thereby necessarily retarding the entrance of other passengers at such fare collection box. It would be extremely difficult to police the proper issuance and use of such free

exit coupons and petitioner might be subjected to the loss of substantial revenue.

Therefore, notwithstanding the fact that the use of token fares on petitioner's uptown line will result in a reduction of petitioner's present uptown fares and revenues, petitioner is willing to suffer such reduction in order to make such token fares practicable, and to avoid the disastrous results which would attend any attempt to collect a cash fare of 9 cents on its downtown line. The application of token fares which will be good on both lines necessarily will reduce the total revenues which petitioner might earn under the Commission's present findings authorizing the collection of a 9-cent cash fare on its downtown line. As shown by the tabulation attached to the affidavit, petitioner, under a 9-cent cash fare on its downtown line, would earn additional gross revenues of $387,714.48 per annum on the basis of passenger traffic for the first six months of 1943, were it possible to collect such fares without serious impairment of petitioner's service to the public. With a uniform use on both its uptown and downtown lines of alternative fares of eleven tokens for one dollar or a cash fare of a dime, petitioner, on the same basis, would earn additional gross revenues of only $304,603.25 per annum, assuming that 90% of its passengers purchased token fares and the remaining 10% paid cash fares of a dime, an assumption which petitioner's investigation indicates to be reasonable. It is apparent, therefore, that the use of alternative token and dime fares applicable both to petitioner's uptown and downtown lines will yield petitioner revenues approximately $83,000 less per annum than contemplated by the Commission's present findings applied to petitioner's present traffic.

The use of alternative token and dime fares applicable to both petitioner's downtown and uptown lines will, moreover, be a convenience to the public and will simplify petitioner's fare structure and accounting.

[fol. 563]

V

In order to prevent still further incursion upon the revenues which the Commission has found petitioner needs and which the Commission's findings intended to accord petitioner, it is necessary that such tokens be sold in lots of not less than eleven for one dollar. The sale of tokens on this basis will serve the convenience of the public by making it

unnecessary for passengers to purchase tokens more frequently than once a week or to obtain any small change in making such purchases, and also will minimize the increase in operating expenses incident to the additional station personnel which petitioner will have to provide.

The sale of tokens in lots of less than eleven for one dollar would require a large increase in petitioner's facilities and personnel to handle more frequent sales and to meet complicated change requirements, all of which would result in inconvenience to and delay of passengers in purchasing tokens and in obtaining change, and in substantially increased operating expenses to petitioner.

VI

Petitioner, by selling eleven tokens for one dollar, will afford passengers material advantages over the use of individual commutation tickets.

The fare tokens proposed to be sold by petitioner would not be limited to use as to time nor would they be restricted to use by the purchaser only, but could be used at any time, on either the uptown line or the downtown line, by the purchaser, by any member of his family, by friends or even by strangers. Multiple trip transportation tickets usable by a person other than the purchaser, as sold by other carriers, are limited as to period of use and are sold at a price substantially in excess of the customarily restricted personal commutation tickets, which are limited to use by the purchaser only within a limited period.

VII

Since it is not practicable for petitioner to collect a 9-cent cash fare on its downtown line, petitioner in incurring a loss in excess of one thousand dollars per day in revenue, which the Commission has found the petitioner needs and which the Commission's findings intended to accord to petitioner. Moreover, if petitioner had published fares of 9 cents on its downtown line and 11 cents on its uptown line, which the Commission's report on further hearing expressly finds petitioner could have established, effective February 1, 1942, pursuant to the Commission's order in Ex Parte 148, petitioner would have received and petitioner's passengers would have paid $750,887.66 additional revenue from such date up to June 30, 1943.

Because of present war restrictions, petitioner will necessarily incur some delay in obtaining fare tokens and in making the necessary alterations of its fare collection boxes. Petitioner believes that until such time as it can, with utmost diligence, obtain tokens and alter its fare collection boxes to receive and count only tokens and dimes, which time petitioner estimates will require at least 90 days, it is only just and equitable that the Commission authorize petitioner to establish and collect, during the intervening period, a cash fare of 10 cents, payable only by a dime, on its downtown line and also on its uptown line.

The authorization of a cash fare of 10 cents on the downtown line during such period will serve merely to compensate petitioner partially for the loss of revenue to which, according to the Commission's report on further hearing, petitioner was entitled since February 1, 1942 under the Commission's order in Ex Parte 148, and to prevent the continuing loss by petitioner of revenue in excess of one thousand dollars a day which the Commission intended to accord petitioner by its present findings authorizing a 9-cent cash fare on the downtown line.

[fol. 564]

VIII

As a corollary to the application to petitioner's uptown and downtown lines of alternative fares payable by tokens or dimes, it will be necessary, for practical reasons, for petitioner to obtain uniform divisions from the Pennsylvania Railroad applicable to interline traffic on the uptown and downtown lines. In view of the admonitions of the Commission, both in its original report and in its report on further hearing, that a substantial portion of the increased revenues needed by petitioner should be obtained from the Pennsylvania Railroad by increased divisions of fares on interline traffic, petitioner undertakes to seek as promptly as possible not only uniform divisions from the Pennsylvania Railroad on interline traffic, but such increased divisions as shall be adequate in view of changed conditions.

IX

The Commission, by its findings in its report on further hearing, has limited the application of the increased fare of 9 cents accorded on petitioner's downtown line to the re-

maining period of the war and six months after its termination. Petitioner respectfully submits:

(a) That presumably when the Commission made such limitation it could not have had in mind the facts shown in this petition demonstrating that it is not practicable for petitioner to collect any substantial portion of the increased revenues which the Commission's findings intended to accord petitioner, without making radical changes in petitioner's fare and division structures and in its methods of collecting and accounting, and without incurring substantial capital expenditures in connection therewith;

(b) That petitioner would not be justified in making such capital expenditures and radical changes on the basis of such merely temporary increase in the fare on its downtown line;

(c) That even on the record on further hearing before the Commission at the time it so limited such increased fare, such limitation was not justified.

While petitioner, in its petition for reopening of these proceedings, indicated that among its reasons for not publishing fares of 9 cents and 11 cents on its downtown and uptown lines, respectively, under the authority of the Commission's order in Ex Parte 148, was the impracticability of collecting such fares, petitioner's evidence on further hearing in this respect (Tr. 1125-27) was confined to its reasons for not publishing such fares under that order. Petitioner had no occasion on such further hearing to present all the facts set out in this petition showing that it is not practicable to collect a 9-cent cash fare on its downtown line, since no such fare was at that time in issue.

It would appear, moreover, that the basic ground upon which such limitation on the 9-cent fare is imposed by the Commission's report on further hearing is itself founded upon a misapprehension of fact. That report states, sheet 17—

"Increases in rates or fares based upon abnormal conditions of a transitory nature should not be made permanent. *The greater portion of respondent's increased operating costs, namely, the war emergency*

reserve of $240,000 per year, is wholly attributable to a condition which may be expected to be eliminated after the war, * * *."

The record before the Commission upon further hearing shows that petitioner's operating expenses increased $204,936, 1941 over 1937, (Exhibit B), despite a decrease in traffic of 12,142,568 passengers (Exhibit 36 R [a], sheet 1). Using the formula accepted on further hearing by all par- [fol. 565] ties, the 1941 operating expenses, therefore, adjusted to the basis of 1937 traffic would have been $383,778. To this must be added $226.500 per annum representing the annual basis of increased labor costs incurred in 1942. This would make a total of $610,278 adjusted increased operating expenses which, prior to the further hearing, already had been incurred over 1937, exclusive of the $240,000 war contingency reserve and exclusive of any increase in taxes. The increase in taxes, 1941 over 1937, was $71,825 (Exhibit B), and, as is shown at sheet 15 of the Commission's report on further hearing, there has been a further increase in taxes, 1942 over 1941, of $60,130. While it is true, therefore, that such war contingency reserve of $240,000 per annum presumably will expire with the termination of the war, such reserve obviously does not represent, as stated at sheet 17 of the Commission's report on further hearing, "the greater portion of respondent's increased operating costs," but only 22.2% of its total adjusted increased operating costs prior to the further hearing, and only 26.02% of such adjusted increased operating costs plus increased taxes.

Petitioner submits that there is no sound basis upon which either the Commission or anyone else can undertake to prophesy what will be the economic and competitive conditions affecting petitioner's traffic either upon the termination of the war or six months thereafter; that any attempt at such prophesy is mere speculation; and that, without any such unwarranted speculation, the rights of all parties in interest in these proceedings can be protected adequately by holding these proceedings open for application by any party for further consideration of the fares to be authorized by the Commission pursuant to this petition, because of any change in conditions either following the termination of the war or preceding such termination.

X

Based on the facts set forth in this petition and in the supporting affidavit which is a part hereof, and because of serious continuing loss by petitioner of vitally needed revenues which the Commission intended that petitioner should earn under an increased fare of 9 cents on petitioner's downtown line, petitioner asks that this petition be determined speedily; that, to permit this to be done, any party to these proceedings who may be opposed to the granting of this petition be required to file a verified reply thereto within ten days; and thereupon that the Commission, upon the basis of this petition and any such reply or replies, without further hearing, forthwith determine the issues thereby presented.

Petitioner further asks that on such determination the Commission authorize petitioner to publish and charge, upon not more than five days' notice to the public, an interim cash fare of 10 cents payable only by a dime, on both petitioner's downtown and uptown lines, until such time as petitioner can obtain the necessary tokens and make the necessary alterations in its fare collection boxes, and further authorize petitioner, upon the acquisition of the necessary tokens and the making of the necessary alterations of petitioner's fare collection boxes, to publish and charge uniform alternative fares of eleven tokens for one dollar or 10 cents, payable only by a dime, applicable both to petitioner's downtown and uptown lines, likewise upon not more than five days' notice to the public.

Dated, New York, N. Y., July 8, 1943.

Hudson & Manhattan Railroad Company, By Walter F. Brown, *Chairman of the Board and President.*

John E. Buck, Thomas A. Halleran, John F. Finerty, Cravath, de Gersdorff, Swaine & Wood, *Of Counsel.*

[fol. 566] State of New York,
County of New York, ss:

Walter F. Brown, being first duly sworn, deposes and says that he is the Chairman of the Board of Directors and President of the petitioner, Hudson & Manhattan Railroad Company; that he has read the foregoing petition and knows the contents thereof; that the facts stated therein, and the following additional statements of fact in support

of and supplemental to said petition, are based on careful investigation and studies made by him or under his direction, and are true to the best of his knowledge and belief.

I

Revenues Already Lost and Continuing to Be Lost by Petitioner

As shown by the tabulation set forth in Exhibit I annexed to and made a part hereof, petitioner carried 33,620,045 passengers on its downtown line and 17,117,029 passengers on its uptown line, or a total of 50,737,074 passengers on both lines during the calendar year 1942. 46,316,086 of such passengers were carried between February 1 and December 31, 1942. As also shown by Exhibit I, petitioner carried 19,385,723 passengers on its downtown line and 9,386,957 passengers on its uptown line, or a total of 28,772,680 passengers, during the first six months of 1943. If petitioner had established, and had been able to collect, fares of 9 cents and 11 cents on its downtown and uptown lines, respectively, effective February 1, 1942, as the Commission has found petitioner was entitled to establish under the Commission's order in Ex Parte 148, petitioner would have received 1 cent more per passenger or $750,887.66 additional gross revenues from the 75,088,766 total number of passengers carried by it on both lines between February 1, 1942, and June 30, 1943.

As also shown by Exhibit I, the increased fare of 9 cents on the downtown line, which the Commission's present findings authorize petitioner to charge, would result in $387,714.48 additional gross revenue per annum to petitioner, or additional revenue at the rate of $1,062.23 per day, on the basis of the number of local passengers carried on the downtown line during the first six months of the year 1943.

II

Reasons Why a 9-Cent Cash Fare On the Downtown Line Is Impracticable

A. Petitioner's Present Local Fares and Divisions, and Facilities and Methods of Collection.

Petitioner's presently authorized fares are as follows:

8 cents between stations in New Jersey and Hudson Terminal, New York, on its downtown line;

10 cents between stations in New Jersey and stations in New York on its uptown line;

5 cents between stations in New Jersey; and

5 cents between stations in New York City on the uptown line.

The divisions presently paid to petitioner by the Pennsylvania Railroad Company on interline traffic are as follows:

[fol. 567] 5 cents for certain passengers transported by petitioner between Hudson Terminal, New York, and Exchange Place, Jersey City, New Jersey;

7.64 cents for certain passengers interchanged with the Pennsylvania Railroad at Exchange Place, Jersey City, New Jersey, and for all passengers to and from Hudson Terminal, New York, using the joint rapid transit train service between Hudson Terminal, New York, and Newark, New Jersey;

8.64 cents for all joint passengers to and from stations on petitioner's uptown line, including passengers interchanged with the Pennsylvania Railroad at Exchange Place, Jersey City, New Jersey.

Petitioner collects all fares for local interstate and intrastate transportation on its lines by the deposit of cash in fare collection boxes at station entrances as follows:

All eastbound passengers entering stations in New Jersey deposit 8 cents in coins in fare collection boxes at station entrances. Passengers traveling to Hudson Terminal, New York, on petitioner's downtown line, having fully paid the present 8-cent fare, leave that station without further payment. Passengers traveling to stations on petitioner's uptown line in New York City, are required to deposit 2 cents in coins in fare collection boxes at the station of exit, thereby paying the remainder of the present 10-cent fare applicable on the uptown line.

All westbound passengers entering Hudson Terminal Station, New York, deposit 8 cents in coins in the fare collection boxes at station entrances. All westbound

passengers entering stations in New York City on the uptown line deposit 10 cents in coins in fare collection boxes. All such passengers, having fully paid the present interstate fares, leave destination stations in New Jersey without further payment.

New Jersey intrastate passengers are required to deposit 8 cents in coins in fare collection boxes at station entrances and the attendants at such boxes issue to them a refund coupon which is redeemed for 3 cents when presented to agents at destination stations in New Jersey within thirty minutes from the time of issue.

New York intrastate passengers making a northbound trip between stations from Christopher Street to 33rd Street, New York, on the uptown line pay 5 cents to agents at station entrances and pass through turnstiles which register such fares, and are issued a coupon permitting them to exit at destination station in New York without further payment. New York intrastate passengers making a southbound trip between stations from 33rd Street to Christopher Street, New York, on the uptown line, are required to deposit 10 cents in coins in the fare collection boxes, and at destination stations in New York have issued to them by the gateman at the exits a refund coupon which is redeemed for 5 cents by the agents at such station entrances.

The methods by which petitioner accounts and obtains payment for transportation on its lines of interline passengers exchanged with the Pennsylvania Railroad Company are set forth in the testimony of John J. Fritsch, Comptroller of petitioner, at pages 1749-90 of the transcript of the record on further hearing herein.

B. Description of Fare Collection Boxes

The fare collection boxes now and for many years past used by petitioner consist of a concave receiving basin in which there are a number of holes through which pennies, nickels, dimes, and quarters pass to and into a glass enclosed case down and through a chute and past a baffle plate to an inspection belt which moves the coins to a position where they can be observed by the attendant, after which such

coins drop into a receptacle constituting a part of the counting mechanism in such boxes. A revolving plate selectively separates the coins in the collecting receptacle, and passes [fol. 568] them through a counting device, which visibly records the amount of money passing through it, after which the coins drop into a removable coin collecting can which, on removal, becomes automatically sealed.

The capacity of the coin receptacle, selection, and counting mechanism in the fare collection boxes is limited, and the number of fares which can be received into, selected, and counted depends upon the number of coin units and the rate at which they are deposited in fare boxes. The greater the number of coins used to pay one fare the less is the capacity of the counting device and associated receptacle in terms of the number of fares that can be handled by the boxes. Therefore, fares payable only in single units, such as a token or a dime, increase the capacity of the counting mechanism and the rate at which passengers may pass fare collection boxes.

The minimum number of coins which any passenger can deposit in the fare collection boxes under the present 8-cent fare on petitioner's downtown line is four, made up of a nickel and three pennies, and the maximum number is eight, consisting of eight pennies.* Under a cash fare of 9 cents on petitioner's downtown line, the minimum number of coins which can be used to pay fares becomes five, consisting of a nickel and four pennies, and the maximum number becomes nine, consisting of nine pennies, or an increase of 25% and 12½%, respectively, in the number of coins required to be received into, selected, and counted by the mechanism and devices in such fare collection boxes.

A recent investigation shows that during the hours of peak traffic passengers pass fare collection boxes at a rate as high as 3 every second. Under the present 8-cent fare on the downtown line there have been repeated stoppages of the fare collection boxes, occasioned by overloading the receptacle associated with the selector plate and counting mechanism. Experiments have shown that the increased number of coins which may be used to pay a 9-cent cash fare

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* While the deposit of 8 pennies is relatively infrequent, it undoubtedly contributes to the stoppages of fare collection boxes which even now occur under the present 8-cent fare.

on the downtown line will so exceed the capacity of the receptacle, selection, and counting devices in such fare collection boxes that consequent stoppages will cause serious delay to the traveling public, particularly to passengers desiring to make connections with trains of the Pennsylvania Railroad at Newark and Exchange Place, with trains of the Erie Railroad at Erie Station, and with trains of the Lackawanna Railroad at Hoboken.

When a stoppage of the fare box mechanism occurs it is necessary for a skilled mechanic to clear the same so as to restore it to service or to replace such box, either of which requires an appreciable length of time. In either case, passengers are detained while such clearance or replacement is made. Investigation discloses that not only are there no other appliances, methods, or facilities presently available to petitioner which will make it possible for petitioner to collect and count such 9-cent cash fare, but that there is no device which, under mass transportation conditions, will collect and count multiple cash fares requiring the use of more than four coins. Due to war conditions there is a critical scarcity of skilled mechanics who are experienced in clearing and adjusting such fare box mechanisms, and, even were skilled mechanics now available, the stoppage of fare boxes necessarily would result in an accumulation of passengers waiting to pass the boxes.

Petitioner is advised that the devices and appliances in such fare collection boxes for receiving, selecting, and counting coins can be altered in approximately 90 days so as to be adapted to receive, select, and count only tokens and dimes. Careful investigation and study has shown that the only practicable method by which petitioner may collect and retain any substantial portion of the additional reve-[fol. 569] nues which the Commission has found petitioner needs and is entitled to enjoy, is by the use of alternative fares limited to tokens and dimes, thereby reducing the quantity and variety of units required to be received into, selected, and counted by the mechanism in fare collection boxes.

III

The Desirability of Establishing Uniform Local Fares on the Downtown and Uptown Lines and of Obtaining Uniform Divisions from the Pennsylvania Railroad Company on Interline Traffic

The petition sets forth the reasons why it is necessary that uniform fares, payable only in tokens or in dimes, be established for both the downtown line and the uptown line of the petitioner, even though such uniform fares require the reduction of the present 10-cent fare on petitioner's uptown line. The establishing of such uniform fares necessarily requires that petitioner obtain from The Pennsylvania Railroad Company uniform divisions on all interline traffic in order to correlate the ascertainment of the amount of such divisions with the method of collecting uniform fares from local passengers, thereby greatly simplifying the method of accounting for and obtaining payment of divisions on such interline traffic.

IV

Time Required to Obtain Tokens and to Alter Fare Collection Boxes

Investigation and study disclose that fare tokens generally considered most desirable contain strategic metals, the use of which is subject to governmental restrictions entailing delay in manufacture, because of the necessity for obtaining appropriate priority authorizations. Further delay is entailed in making the dies and processing the metal required for such tokens, as well as in obtaining an adequate supply of such tokens.

The alteration of the mechanisms and devices in petitioner's fare collection boxes to handle only tokens and dimes also will require governmental priorities for the requisite metals. The manufacturer of such boxes will require time to make the necessary parts, and petitioner will require a short time to install them after they are made.

Investigation discloses that petitioner will require at least 90 days to obtain the tokens and to alter its fare collection boxes.

V

Propriety of Authorizing a Cash Fare of 10 Cents, Payable Only by a Dime, Applicable to Both Downtown and Uptown Lines of Petitioner, Until Tokens Can Be Procured

Exhibit I, annexed to and made a part hereof, shows that if it were practicable to collect a cash fare of 9 cents on

the downtown line, petitioner would have received $336,200.45 additional gross revenue if such fare had been in effect during the year 1942, and that petitioner would receive additional gross revenue at the rate of $387,714.48 per annum under such cash fare, on the basis of passenger traffic for the first six months of the year 1943. That exhibit also shows that petitioner would earn additional gross revenue [fol. 570] at the rate of $304,603.25 per annum under uniform alternative local interstate fares on both its downtown and uptown lines of tokens sold to its patrons in lots of eleven for one dollar or cash fares of one dime, on the basis of passenger traffic for the first six months of 1943 and assuming that 90% of such passengers purchase tokens and that 10% pay cash fares of a dime, an assumption which investigation discloses is reasonable.

As shown in paragraph I hereof, had petitioner published fares of 9 cents and 11 cents on its downtown and uptown lines, respectively, effective February 1, 1942, which the Commission's report on further hearing finds petitioner legally was entitled to do under the Commission's order in Ex Parte 148, petitioner would have earned and its passengers would have been required to pay $750,887.66 additional for transportation since February 1, 1942.

Furthermore, were it practicable for petitioner to collect the 9-cent fare on its downtown line authorized by the Commission's findings in its report on further hearing dated June 8, 1943, petitioner would have earned and its passengers would have paid and would continue to pay in excess of $1,000.00 per day more for transportation service. Since petitioner must forego such additional revenue until such time as the Commission shall authorize the collection of uniform alternative fares payable in tokens or in dimes on both its downtown and uptown lines, the establishment of which will thereafter involve a reduction of petitioner's revenue from its uptown line of $153,604.77 per annum on the basis of traffic on that line for the first six months of 1943, affiant believes that until petitioner can obtain the necessary tokens and make the necessary alterations of its fare collection boxes, it is only just and equitable that the Commission should authorize petitioner to charge in the interim a uniform cash fare of 10 cents, payable only in dimes, on both its downtown and uptown lines, on not more than five days' notice to the public. Petitioner will under-

take to use the utmost diligence to obtain the necessary fare tokens and to make the necessary alterations of its fare collection boxes so as to collect uniform fares of tokens or dimes at the earliest possible moment and thereupon to publish, in lieu of the interim cash fare of 10 cents, such alternative fares of tokens or dimes applicable to both the downtown and uptown lines of petitioner on the shortest notice to the public which the Commission will authorize.

Walter F. Brown.

Subscribed and sworn to before me, this 8th day of July, 1943. Adolph M. Lindenstruth, Notary Public, Westchester County. Certificate filed in New York Co. No. 60, New York Register's No. 4147, Comm. Expires March 30, 1944.

[fol. 571]

EXHIBIT I

Hudson & Manhattan Railroad Company

Kind of Traffic	1942—12 Mos. Number of Passengers	% of Total	1943—6 Mos. January to June Number of Passengers	% of Total
Passengers				
Interstate—Local				
Downtown Line	33,620,045	45.9	19,385,723	46.3
Uptown Line	17,117,029	23.4	9,386,957	22.4
Intrastate—Local				
New York	354,617	0.5	204,487	0.5
New Jersey	2,105,669	2.9	1,208,034	2.9

	Actual Revenue	1942—12 Mos. 9c. Fare Downtown	Gain in Revenue
Revenue			
Interstate—Local			
Downtown Line	$2,689,603.60	$3,025,804.05	$336,200.45
Uptown Line	1,711,702.90	.....	.....

	1943—6 Months Adjusted to 12 Months Basis			
	Number of Passengers	Present Fares	9-Cent Fare Downtown	Gain in Revenue
Revenue				
Interstate—Local				
Downtown Line	38,771,448	$3,101,715.84	$3,489,430.32	$387,714.48
Uptown Line	18,773,916	1,877,391.60	.....	.....

[fol. 572] EXHIBIT I—Continued

Hudson & Manhattan Railroad Company

1943—6 Months Adjusted to 12 Months Basis

Petitioner's Proposal	90% Tokens 11 for $1.00 10% Cash 10-Cent Fare	Present Fare Basis	Gain in Revenue	Net Gain
Revenue				
Interstate—Local				
Passengers				
Downtown Line				
34,894,303	$3,172,209.36	.....	.....	.....
3,877,145	387,714.50	.....	.....	.....
38,771,448	$3,559,923.86	$3,101,715.84	$458,208.02	.....
Uptown Line				
16,896,534	$1,536,047.63	.....	.....	.....
1,877,392	187,739.20	.....	.....	.....
18,773,916	$1,723,786.83	$1,877,391.60	R$153,604.77	$304,603.25

Passengers Carried February 1, 1942 to June 30, 1943

	Downtown	Uptown	Total
Year ended 12/31/42	33,620,045	17,117,029	50,737,074
January 1942	2,984,127	1,436,861	4,420,988
Eleven Mos. 2/1 to 12/31/42	30,635,918	15,680,168	46,316,086
Six Mos. 1/1 to 6/30/43	19,385,723	9,386,957	28,772,680
	50,021,641	25,067,125	75,088,766
Additional Revenue	$500,216.41	$250,671.25	$750,887.66

R—Indicates red figure.

Certificate of Service

I hereby certify that I have this day served the foregoing petition upon all parties of record in these proceedings, by mailing a copy thereof, properly addressed to each party of record.

Dated at New York, N. Y., this 8th day of July, 1943.

JOHN F. FINERTY.

[fol. 573] PLAINTIFF'S EXHIBIT 7

Before the Interstate Commerce Commission

I. & S. Docket No. 4694

Passenger Fares of Hudson & Manhattan Railroad Company

Reply of Protestants to Petition of Hudson & Manhattan Railroad Company for Reconsideration and Modification of the Findings Made by the Commission in Its Report on Further Hearing Herein Dated June 8, 1943

Based upon a verified petition by Walter F. Brown, Chairman of the Board of Directors and President of the

Hudson & Manhattan Railroad Company, the respondent herein, Hudson & Manhattan Railroad Company, requests a modification of the report on further hearing dated June 8, 1943, to permit the assessment of a 10-cent fare on its downtown line for an alleged temporary interim period.

The request is made allegedly because it is impossible for petitioner, Hudson & Manhattan Railroad Company, to collect a 9-cent cash fare on its downtown line, as authorized by the Commission's findings in its report on further hearing dated June 8, 1943, without causing serious public inconvenience and depletion of revenue.

This allegation, in turn, is based upon further allegations that the fare-collection boxes presently used are unable to handle a 9-cent cash fare without mechanical failures, and that such mechanical failures would result in serious delay to the traveling public, with consequent loss of revenue by reason of the fact that a portion of the traveling public would seek other means of transportation rather than submit to such delay and inconvenience.

It is held out, further, by petitioner that it is its intention, at some future time, to make such mechanical adjustments in the fare-collection boxes as will permit the mechanical handling of tokens and dimes, to secure tokens for general use in connection with interstate cash fares on its lines, and subsequently to sell such tokens at the rate of 11 tokens for $1.00, the use of which is to alternate with a cash fare of 10 cents. It is proposed to permit the use of tokens on the uptown line, which would result in the rate of fare on the uptown line becoming 11 rides for $1.00 whereas, under the present fare on the uptown line, interstate, 11 rides cost $1.10.

The respondent proposes to use diligence in reducing the interim period during which a 10-cent cash fare would be in effect on the downtown line and makes reference to a period of approximately 90 days. However, it is admitted by petitioner that fare tokens considered desirable for use would contain strategic materials, the use of which is subject to governmental restrictions, entailing delay in manufacture as well as delay in making the dies and processing the material required for such tokens, and, further, that the period of 90 days during which devices and appliances in fare-collection boxes could be made is based on advice. There is no proof that such objectives could be attained [fol. 574] within 90 days and there is, likewise, no proof

that the utmost diligence to obtain such tokens and to make such alterations of its fare-collection boxes at the earliest possible moment would be of any avail to the petitioner.

In the interim, the downtown passengers would be subjected to fares and charges which obviously would be unreasonable. Such unreasonable treatment is attempted to be mitigated by the petitioner by the assertion that it could have collected a cash fare of 9 cents on its downtown line and a cash fare of 11 cents on its uptown line since February 1, 1942, instead of the fares of 8 and 10 cents, respectively, and that it thereby has made a donation to the traveling public for which it now reasonably might be compensated. It must not be overlooked that the only reason respondent did *did* not collect fares of 9 and 11 cents, downtown and uptown, respectively, since February 1, 1942, was its desire to endeavor to permanently impose a fare of 10 cents on the downtown line. It was that desire which led to the respondent's former petition for further hearing and for leave to publish and charge a 10-cent fare on the downtown line by reason of alleged changed conditions, based upon which the proceeding was reopened for further hearing.

Respondent further states that it knew, on February 1, 1942, that it would be inconvenient for it to attempt to collect a cash fare of 9 cents on the downtown line and respondent now alleges that that fact is of no materiality because a cash fare of 9 cents on the downtown line never was in issue before this Commission.

If respondent's premises with respect to the situation obtaining on February 1, 1942, be correct, which protestants do not admit, and if the amount of respondent's revenue were to be variable, dependent upon the amount of the residue which would be left for interest on its funded debt, it is the position of protestants that the respondent already has failed in due diligence in not being presently in a position to handle any cash fare decided upon as proper by this Commission, without sacrifice of revenue and serious delay and inconvenience to the traveling public.

It is proposed by respondent that the findings of the report herein, dated June 8, 1943, be further modified to state that these proceedings are held open for application by any party for further consideration of the fares so authorized, by reason of changed conditions, that is,

authorized in the modified manner now requested by the instant petition. It is the position of protestants that a 9-cent fare on the downtown line was granted by the Commission solely in sympathy with the order of January 21, 1942, in *Increased Railway Rates, Fares, and Charges, 1942*, 248 I. C. C. 545, and protestants likewise assert that such increased fare of 9 cents on the downtown line otherwise was unjustified. This position, we believe, is substantiated by the statement on sheet 16 of the report of June 8, 1943, that under normal conditions the saturation point in increased fares on the downtown traffic was reached at 8 cents. Further, by the affirmation by that report of the fact that it would be unreasonable to expect the entire burden of revenue increase to be borne by the downtown local passenger and that a substantial portion thereof should be sought through increased divisions on the inter-line traffic.

Respondent's request for modification of the findings of the report of June 8, 1943, is, in effect, a formal request for a reopening of the proceedings and a new set of findings based upon assertions which protestants would have no opportunity to test or verify. The unusual nature of such request is evidenced by the petitioner's statement appearing on pages 11 and 12 of the petition, by means of which petitioner asks that that petition be determined speedily and that, to permit this to be done, any party to these proceedings who may be opposed to the granting of this petition be required to file a verified reply thereto within ten days and, thereupon, that the Commission, upon the basis of the petition and any such reply or replies, without further hearing forthwith determine the issues thereby presented.

[fol. 575] It is obvious that protestants could not meet these conditions, particularly inasmuch as there is dangled before the interested public an intimation of a reduction in the fare on the uptown line at some future and undetermined time. The finding of the Commission in the report of June 8, 1943, herein, was based on the overall picture which took into account not only the revenue requirements and the convenience of the Hudson & Manhattan Railroad Company but also the probabilities of other sources of revenue, as well as the possibility of improved revenue status by means of operating economies and increased operating efficiency.

The petition of respondent very definitely indicates, for example on page 6 of the petition, that the use of alternative token and dime fares applicable to both of petitioner's lines, downtown and uptown, would simplify petitioner's fare structure and accounting, thus resulting in operating efficiency and economy which would be directly reflected in its revenue position. Furthermore, the use of tokens on the uptown branch, even at the rate of 9 cents per token or 11 tokens for $1.00, would eliminate entirely the fare-collection facilities at the uptown stations for interstate passengers and would result in other economies, the effect of which on the revenue position of respondent is entirely ignored by the petition.

Furthermore, the petition, while designed to appear simple and apparently lay before the Commission a mere mechanical operating difficulty which would result from compliance with the findings of the order of June 8, 1943, goes far beyond that point and endeavors to obtain a completely modified and amended set of findings without adequate substantiation in the record. For example, on page 11 of the petition, petitioner discusses the merit of the finding of the June 8th decision, which limited the effectiveness of that decision to the duration of the war and six months thereafter. Respondent, throughout the petition, insists that the modified order requested could protect the rights of all parties in interest in these proceedings by merely stating that the proceedings are open for application by any party for further consideration because of any change in conditions.

There are many conditions which would and could be changed merely by granting the modifications requested by the petitioner, which would warrant further consideration and which would have an important effect upon the revenue situation of the respondent. For example, we have findings of the Commission, of record in this proceeding, that, regardless of the measure of the fare on the uptown line, the measure and character of the downtown service warrant a lower fare on the downtown line. Another condition is that the petition of the respondent states, for the first time, that the respondent intends to heed the admonition that it should look for increased revenue from the interline divisions, but, at the same time, states the objective of the respondent to be to obtain uniform divisions on interline traffic on both the uptown and downtown lines.

While respondent also specifically states that such increased divisions would be sought as would be adequate in view of changed conditions, heretofore it has been the position of the respondent that it could not even approach the connecting lines on the divisional questions where the changed conditions were associated with any fare reduction. How, then, is the divisional position of the respondent to be affected by the changed condition brought about by a reduction in the fare on the uptown line and the consequent equalizing of fares on both the downtown and uptown lines?

The foregoing, we believe, conclusively demonstrates that it would be neither fair nor reasonable to grant the petition of respondent in its present form, which would require different fares for different periods of time, without some specific idea of what conditions may be anticipated in the future, when certain proposed changed fares would be effective.

Secondly, it would be impossible for protestants to sub- [fol. 576] mit a verified statement, within ten days, which could adequately cover all of the broad topics sought to be resolved in favor of respondent solely by means of the petition.

It is the position of protestants that the petition should be denied, that the effectiveness of the decision dated June 8, 1943, should be indefinitely suspended and, in view of the questions and assertions now brought forth by the respondent, that the proceeding should be set for further hearing. Otherwise, the petition, in its entirety, should be denied.

Respectfully submitted, Frank Hague, Mayor. Charles A. Rooney, Corporation Counsel. Charles Hershenstein, Ass't Corporation Counsel for The City of Jersey City, N. J. Michael Joseph Bruder, Corporation Counsel for Town of Harrison, N. J. John N. Platoff, Corporation Counsel for Township of Weehawken, N. J. Nicholas S. Schloeder, Corporation Counsel for Township of North Bergen, N. J. James C. Agnew, Corporation Counsel for The City of Union City, N. J. Irwin Rubenstein, Town Attorney for Town of West New York, N. J. John J. Fallon, Corporation Counsel. James A. Coolahan, Ass't Corporation Counsel for

The City of Hoboken, N. J. Theodore C. Baer, 1 Exchange Place, Jersey City, N. J. for Various Bus Lines Operating in Hudson County, N. J. S. S. Eisen, 140 Cedar Street, New York 18, New York, for Protestants.

July 14, 1943.

[fol. 577] CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties to this proceeding by mailing a copy thereof, with postage prepaid, to each party of record. Dated at New York, New York this 13th day of July, 1943.

S. S. Eisen, For Protestants.

[fols. 578-579] PLAINTIFF'S EXHIBIT "8"

Interstate Commerce Commission

Order

At a General Session of the Interstate Commerce Commission, held at its Office in Washington, D. C., on the 18th day of September, 1943

Investigation & Suspension Docket No. 4394

Passenger Fares of Hudson & Manhattan Railroad Company

Upon further consideration of the record in the above-entitled proceeding, and good cause appearing,

It is ordered, That this proceeding be reopened for further hearing to permit any party hereto to present evidence directed solely to the propriety and lawfulness of the modifications made by the Commission in its report of August 3, 1943, on further consideration of its prior findings and orders of July 11, 1938 and June 8, 1943; that at such further hearing any party hereto shall have the right to cross examine adverse witnesses, and, upon the conclusion of such hearing, any party so desiring may make oral argument before the examiner, but no further briefs shall be submitted, nor shall a proposed report be issued, nor shall there be further argument before the Commission.

It is further ordered, That this proceeding be assigned for such further hearing before Examiner Koch in the Commission's Offices at Washington, D. C., on September 28, 1943, at 10:00 o'clock A. M.

By the Commission.

W. P. Bartel, Secretary. (Seal.)

[fol. 580] INTERVENOR'S EXHIBIT "2"

Before the Interstate Commerce Commission

Passenger Fares of Hudson and Manhattan Railroad Company

Investigation and Suspension Docket No. 4394

Reply of Economic Stabilization Director and Administrator of the Office of Price Administration to Petition of Hudson and Manhattan Company for Reconsideration and Modification

Part I

Petitioner's Proposed Modification of the Commission's Order of June 8th Should be Rejected

(I) Granting petitioner's request would result in:—

(A) Discrimination as between uptown and downtown passengers.

(B) Excessive fares to downtown riders, and an

(C) Unwarranted waste of critical war materials.

Also

(D) No assurance is given that token program can be realized.

(II) Petitioner can, but has not availed itself of other methods of collecting the presently authorized 9 cent fare, which methods have all the claimed advantages, but none of the disadvantages of the company's proposal.

(III) Petitioner's request that the 9 cent fare be made permanent is completely refuted by this Commission's find-
[fol. 581] ing that the transitory nature of the abnormal

war conditions necessitates the use of temporary rates. And petitioner has introduced no new data that would invalidate that conclusion.

(IV) This Commission, in view of the large increases in net income, over that estimated in the modified order of June 8, 1943, should, upon petitioner's motion for reconsideration, order the continuation of the 8 cent fare.

[fol. 582]

Part II

Argument

Petitioner fails to establish a valid reason for the proposed modification of the order of June 8, 1943. In essence, petitioner argues:—Since the 9 cent fare is impossible to collect for technical reasons, the only solution is a metallic token system with tokens selling at 11 for $1 and single rides for a dime,—this applying to both uptown and downtown riders. This system of fares will result it is claimed in revenue below that obtainable at the 9 cent and 10 cent fare for the downtown and uptown divisions, respectively. It will take at least 90 days to place such a system in operation, and hence a 10 cent flat fare should be charged during that interval. Petitioner also claims that the above facts were not before the Commission, since the 9 cent fare was not an issue in this case, but had the Commission had all these "facts" in mind, it would not have set the 9 cent fare, nor set it for a temporary period.

The remainder of this brief will be devoted to demonstrating the erroneous and untenable character of the above allegations.

(I) Granting petitioner's request would result in excessive and discriminatory rates, as well as in the waste of critical war materials.

(A) The proposed schedule of fares will result in discriminatory rates.

We can do no better, in this respect, than to quote this [fol. 583] Commission's opinion both in the original report (page 754), and in the report of June 8, 1943 (Sheet 10).

"From the standpoint of the cost of the service to respondent, therefore, as well as of the value of the

service to the passenger, it would seem that if 10 cents is a maximum reasonable fare for the uptown service, *the reasonable fare for the downtown service must be something less than 10 cents.*" (Emphasis supplied)

Petitioner has not introduced one piece of proof, or even allegation, to indicate that factors in either the cost or the value of the service have so changed since June 8, 1943, as to invalidate the above ruling. Thus on this basis alone, if no other, the proposed scheme must be rejected as resulting in unfairly discriminatory rates.

(B) The proposed schedule of fares will result in excessive rates.

Petitioner admits that its proposal will result in increased fares to riders on the downtown division, i.e., fares in excess of 9 cents per ride. This increase amounts to $70,494 per year, on the basis of 1943 data. However, petitioner contends that this excess revenue will be more than overbalanced by the decrease in revenue resulting from decreased fares to uptown riders. This contention is fallacious. Low rates to uptown riders do not help downtown riders to pay their fares. It is always so with discriminatory rates,—one group pays too much so another may pay less.

Exhibit #1 of the company's petition shows the calculation "proving" this allegation. It is obvious from that exhibit itself, that this alleged loss in revenue, in the amount [fol. 584] of $83,000, is based entirely on the assumption that 90% of both uptown and downtown riders will avail themselves of the 11 tokens for $1, the remainder paying the 10 cent cash fare. Accepting this assumption without admitting its validity, let us look at the facts.

Petitioner states that it "will require at least 90 days to obtain the tokens and to alter its fare collection boxes." It may take considerably longer. In fact, petitioner does not wish to be held to that 90 days, but only promises to "* * * use the utmost diligence to obtain the necessary fare tokens and to make the necessary alterations of its fare collection boxes * * *" But during this interim, which allegedly will take at lease 90 days, petitioner wants to collect a 10 cent cash fare from all of its passengers, uptown and downtown. On the basis of the company's own estimate, a 1 cent difference in fare on the downtown line means

over $1000 in revenue per day. Thus petitioner asks this Commission to approve a fare-collection scheme which will yield the company at least $90,000 in excess of what it is entitled to under the existing one-month old order! Petitioner estimates a "loss" of revenue of $83,000 for one year's operation under the proposed scheme. It is obvious that the "bonus" of at least $90,000 the company wants during the 90 day waiting period, overbalances the alleged "loss" of $83,000. On net balance, and on the basis of the company's assumptions, petitioner will net at least $7000 more than under the presently approved rates. It is hardly realistic to call this a "loss" in revenue.

[fol. 585] Thus we see that on the basis of the company's own assumption, it will increase revenue above that obtainable under the existing Commission order. But just how valid is petitioner's assumption that 90% of its customers will buy the tokens at a price of 11 for $1. Petitioner claims that it is " • • • an assumption which investigation discloses to be reasonable." Petitioner does not even present a hint as to what this "investigation" might have been. In fact we find it pretty difficult to conceive of a thorough investigation along those lines. Petitioners "reasonable assumption" seems like nothing but a guess. We venture to suggest that it is a bad guess in view of the recent finding by the Public Utilities Commission of the District of Columbia that the sale of 6 tokens for 50 cents entailed too heavy an outlay, and that the utility should sell 3 tokens for 25 cents.[1] If a 50 cent outlay, to save 10 cents, was found to be a bar to the sale of tokens, and that in a city with an exceedingly high average income, how much more of a deterrent will be a $1 outlay to save the same 10 cents. In view of this, an assumption that 90% of all riders will buy a dollar's worth of takens, seems subject to seriôus doubt.

We do not urge that a break-down other than 90%-10% is correct, but merely point out that petitioner bases a major part of its claim for modification upon a guess, which is probably not a good guess. Were we to assume that only 75% of all the passengers buy tokens at the price proposed

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[1] Federation of Citizens' Associations et al. v. Capital Transit Co., Public Utilities Commission of D. C. Formal Case 309, Order No. 2278.

by petitioner, we would find that instead of "losing" $83,- [fol. 586] 000 on a year's operation, it will "lose" but $4,600; and if 74% bought tokens, the company would "lose" nothing on operations; *but in each case* the minimum bonus of $90,000 it wants to receive during the time it will take to set this scheme into operation, will more than overbalance these so-called "losses." To be perfectly realistic about this, petitioner will receive, at the end of a year's operation, *as a result of this scheme,* an *increased* revenue of *at least* $7,000, and much more probably in the neighborhood of the full bonus of $90,000.

C) The Proposed Scheme Will Result in A Waste of Critical War Material

The petitioner, which has already benefited as a result of the war by the improvement in its earnings, continues to take the position that while the stabilization legislation enacted by Congress may be necessary to win the war, and should be applied to the remainder of the country, that it is to have no application whatsoever to it. Not only does it seek entire and complete exemption from the national program keeping down the cost of living, but it also suggests that it be given authority to proceed with the use of strategic material and skilled technical labor, vital for the success of the war, for other than normal operations. There is an obvious shortage of such vital war resources. This is evidenced by the fact that "governmental priorities" will be required, and that it will take at least 90 days to do that which in normal times would require a much shorter period of time. We therefore submit that it may not be to the best interests of the war effort to switch over to a metal token system at this time.

[fol. 587] D) No Assurance That The Token Program Can Be Realized Has Been Given By Petitioner

On the basis of the record, the Commission should certainly reject the proposal of the company that it be permitted to institute a 10 cent fare for its downtown service until it is able to obtain Government approval for the metal token system, obtain the metal tokens, and work out the other details of the use of such tokens. No assurance has been given the Commission or the public that it can obtain such authority. No one knows whether it will take 90 days

or a year. Petitioner's earnings have already increased very substantially as a result of the war. The Company's request that it be allowed to put the 10 cent fare into effect without any typing limit or even for a period of 90 days, is entirely without justification and should be denied.

[fol. 588] II. Petitioner can, but has not availed itself of other methods of collecting the authorized 9 cent fare, which methods have all of the claimed advantages, but none of the disadvantages of petitioner's proposal.

A) One feasible scheme would be the use of paper tickets sold at one for 9 cents, or 3 for 25 cents.

Such fares would not exceed those found just and reasonable by this Commission. Since these tickets would be of paper, no critical metals would be used, and the scheme could be put into operation much more quickly. Such tickets need not be mutilated. The only purpose mutilation has is to prevent dishonest employees from reselling such tickets. Even this far-fetched possibility can be guarded against by the use of glass-top, slotted locked boxes. The control on the number of riders can be made at the booths where the tickets are sold.

The Company's suggestion that a token system necessitates equalizing uptown and downtown fares is just not so. A token system does not necessitate discriminatory rates. The alleged difficulties of charging different fares on the two divisions are highly unrealistic. There is no reason why the method now used by the company, a method used for many years, can not be continued. All interstate riders, boarding a train in New Jersey would deposit a ticket instead of the present 8 cent fare. Those alighting at the Cortland Street station (i. e. downtown riders) would pay nothing more. Passengers who use the uptown trains, would pay an additional 1 cent fare, instead of the present 2 cent fare.

[fol. 589] The tickets can be used for an indefinite period of time; by anybody; no time-consuming identification is necessary as for commutation passes.

Petitioner claims that the sale of 11 tokens for $1 will make it possible for a rider to purchase a week's supply at one time. This is not quite true, since the usual war-week requires 12 rides. However under the method here sug-

gested, a commuter can purchase a week's supply, i. e. 12 tickets for $1, and really have a week's supply.

It is apparent that the method here proposed has all the advantages claimed by petitioner for its scheme, but has none of the disadvantages of that scheme.

In any case, there is no good reason presented why petitioner should be allowed to charge a flat 10 cent fare until a feasible fare collection method is put into operation. The method we have outlined could have been put into operation by the company quite some time ago. The fact that petitioner would like, by one means or another, to collect *more* than this Commission has found reasonable, should not entitle the Company to a bonus by way of discriminatory and excessive rates.

We wish to emphasize that we do not suggest that the sale of tokens at 3 for 25 cents will result in fair and reasonable rates. We merely want to point out that petitioner's proposal is not the only solution, nor of alternative ones, the best solution. We shall subsequently show that the original 8 cent fare is now adequate.

[fol. 590] III. This Commission Has Already Found That the Transitory Nature of the Abnormal War Conditions Necessitates the Use of Temporary Rates and Petitioner Has Introduced No New Data That Would Invalidate That Conclusion

A) Petitioner's Claim That Even on the Record, the Rate Increase Should Have Been Made Permanent, Is Erroneous.

The modified order of June 8, 1943, amply refutes this erroneous claim of petitioner. There can be no doubt that the only reason for the present modification of the original order is the set of conditions that has arisen out of the war. Were it not for these, this Commission would have had no reason to disturb its original order. Petitioner's own listing of increased operating expenses clearly demonstrates their temporary wartime character. Thus on pages 10 and 11 of its petition for reconsideration the Company lists increased labor costs in 1942; increased taxes; a war contingency reserve (which so far has been barely touched, and that for a purpose entirely unrelated to the war); and increased operating expenses in general (although "1941 operating expenses—adjusted to the basis of 1937 traffic"

is a most peculiar method of estimating expenses). All these alleged increases are directly traceable to the war emergency. When that emergency ends, the particular factors which caused the above increases will also end. It requires no "prophecy" to see that. Should post-war conditions be such as to warrant the 8 cent fare—all well and good. However, should postwar conditions be such as to warrant some other fare there is nothing to prevent *any* [fol. 591] party from petitioning this Commission for a review of the situation. Whatever the situation may be, it certainly will not be the one existing now. Hence the Commission was perfectly warranted, on the record, to make this rate adjustment a temporary one. In fact this Commission would have been subject to valid criticism had it set permanent rates on the basis of obviously transient conditions.

B) Petitioner's Claim That This Commission Did Not Have Data Demonstrating the Technical Difficulty of Collecting the 9 Cent Fare, Since Such Fare Was Not an Issue in This Case, Is Contrary to Fact.

Petitioner's claim is amazing in view of the record. Section "e" of the Company's original petition for reopening deals solely with the difficulty of collecting the 9 cent fare. Thus Petitioner made the 9 cent fare an issue. But that was not all. On direct examination, Petitioner's President and Chairman of the Board testified as follows:

> A. "I should also add that a factor supporting the conclusion that fares of 9 cents on a downtown line and 11 cents on the uptown line were impracticable, is the fact that, with the existing fare collection facilities of petitioner, it is probable that it would, in many instances, be unable actually to collect fares of 9 cents and 11 cents in full."
>
> Q. "Nine cents and 11 cents in full?"
>
> A. "Yes, 9 cents and 11 cents in full. Mr. Examiner, I want to explain something. We have fare collecting boxes and we have a counting mechanism in them that collects the money and when you throw in a nickel and four pennies, you overtax the counting mechanism of [fol. 592] the boxes, and we are all of the opinion that we would not be able to do that. Say a half dozen men all come through the gate at the same time, and each

> one throws in a nickel and four pennies, it would so congest the boxes, that in our opinion, we would not be able to count the money by this automatic counting device * * *" (Tr. 1125).

And further on, upon being asked whether the present 8 cent fare does not cause the same congestion, the witness continued,

> A. "No, not as much. It congests it too much now and we have some difficulty as it is, but another coin would add, you can see, to the difficulty * * *."

Pages 33 and 34 of Petitioner's brief, dated October 24, 1942, deal in detail, and with many references to the transcript of testimony, to the alleged insufficiency of the 9 cent fare.

Thus the 9 cent fare was considered specifically in the Company's petition, was the subject of testimony by Petitioner's principal witness, and took up more than a page of Petitioner's brief. There is little doubt but that the 9 cent fare was an issue.

Petitioner admits that collection-box stoppages are nothing new that has developed since the close of the record. Evidence was presented to that effect. Thus it seems that this Commission had all the evidence on the 9 cent fare that Petitioner cared to present. Having for reasons best known to itself, presumably not put in *all* the minor details into the record,

Petitioner should not now be allowed to use an elaboration of an old issue, (hidden under the guise of a "new" [fol. 593] issue) as a reason for reconsideration and revision upward. As a matter of fact, Petitioner objected to the 9 cent fare on the record. Despite such objection (which we have herein shown to be groundless) this Commission ruled that on the information available to it, the 9 cent fare was reasonable. Petitioner presents nothing basic-ly new. The only new information is 5 month operating data, and *that*, as we will show warrants the continuation of the present 8 cent fare.

C. Petitioner's Claim That Had the Commission Known of the Large Capital Expenditure Necessary to Collect the 9 Cent Fare, It Would Have Made Such Fare Permanent.

There is not one word of proof or even allegations as to the size of this claimed "substantial capital expenditure." And even that broad generality is based on the unwarranted and herein-disproved assumption that a metal-token system is the only solution to the problem. The Commission knew of the alleged difficulties of collecting the 9 cent fare, and despite that, ordered that fare. We have shown how the difficulty can be easily and quickly overcome. In view of both of these facts, Petitioner's argument is clearly without merit.

[fol. 594] IV. This Commission, in View of the Large Increase in Net Income, Over That Estimated in the Modified Order of June 8, 1943, Should Upon Petitioner's Motion for Reconsideration Modify Its Order so as to Continue the Existing 8 Cent Fare

A) Petitioner's Net Income Under the 9 Cent Fare Will Far Exceed That Estimated by This Commission in Its Modification Order of June 8, 1943.

On Sheet 16 of such order this Commission said:

> "What has just been said makes it advisable to approximate the revenue results which may be expected if the downtown fare were made 9 cents. Assuming an increase in the 1941 downtown local traffic due to the war of 12.67%, a 5% diversion by reason of a 1 cent increase in the fare, and making due allowance for the reduced out-of-pocket expense because of such diversion, the resulting net income available for bond interest would approximate $2,404,502. After payment of the interest on the first two bond issues, this would leave for application on the income bonds $1,040,596, or at the rate of 4.420%."

Thus the Commission decided that those rates which yielded 4.42% on petitioner's income bonds, were just and reasonable rates. On the basis of the best information then available to the Commission, it found that a 9 cent fare on the downtown line would yield that result.

But now, a month after the Commission handed down its opinion, the company presents later data and requests a reconsideration on the basis of such data. We agree; the [fol. 595] Commission should reconsider the 9 cent fare. In

order to aid such reconsideration we attach herewith Exhibit A, based partly on data presented by petitioner in its Exhibit 1, and partly on information supplied by petitioner to Moody's and published by the latter.

As is evident from Exhibit A, the company did not earn during the first five months of 1943, full revenue bond interest by $75,798. Assuming that the five month deficit will continue proportionately, for the rest of the year, we find an annual deficit of $181,915. Total revenue bond interest requirements for 1943 are $1,385,550, hence by the end of 1943 petitioner will have available $1,292,486 for such interest; or at an interest rate of 4.34%. Thus *at the existing 8 cent fare* petitioner will earn substantially (within 8/100 of 1%) at the rate this Commission estimated petitioner would earn at the *9 cent fare*.

It is of interest to note that we assumed that the company would continue to operate at a deficit proportional to that of the first five months. It is obvious from Exhibit A that that deficit is decreasing very rapidly. This factor alone is enough to bring 1943 net earnings *above* the level deemed sufficient by the Commission.

If nothing else, Exhibit A indicates a strong presumption that the Commission should, on its own motion, review petitioner's current earnings. These earnings will undoubtedly show that petitioner is no longer in need of the 9 cent fare, and had petitioner heeded this Commission's now twice repeated admonition—

> [fol. 596] "• • • a substantial portion thereof (an increase in revenue) should be sought through increased division on the inter-line traffic • • •." (Sheet 17—Opinion of June 8, 1943.)

petitioner would now be earning enough to at least cover all bond interest, if not much more.

Petitioner's attitude on this question of division on interline traffic is peculiar. Every time it makes a request for a rate increase, it backs that up with, "If you grant our plea we'll try to get a better interline division;" the implication being, "If you don't we won't." This was the case in the original request for the 10 cent fare; it was the case in the recent further hearings; and it is the case in the present petition for reconsideration. The Commission should make it clear that petitioner is now ordered to now use all dili-

gence to obtain a modification of the interline division. It is now five years since the Commission had indicated that procedure. So far petitioner has "dignified" that order merely by considering it. It is high time it took some positive action.

[fol. 597]

Part III

Conclusion

The company has already profited considerably as a result of the war. In effect its position taken throughout this proceeding, is that the national stabilization legislation and program declared by Congress as essential for the winning of the war is not its concern, and that it need make no sacrifices of any kind to aid the government's program to keep down the cost of living. Now without having made any effort to comply with the Commission order permitting a substantial increase in its fares, it seeks a further increase and at the same time desires to make use of critical war materials though no showing has been made that it could not in fact comply with the Commission's existing order. We think it clear that the Commission should continue the existing 8 cent fare, or at most to order fares not in excess of three for 25 cents for the following reasons:

1) Petitioner's solution to the alleged difficulty of collecting the 9 cent fare will result in excessive fares, in discriminatory fares, and in the unconscionable waste of critical war materials;

2) Petitioner can avail itself of other fare collection methods, which have all the claimed advantages, but none of the disadvantages of petitioner's proposal;

[fol. 597a] 3) This Commission was entirely justified, and in fact obligated, to make the 9 cent fare temporary;

4) In view of current earnings of petitioner, this Commission should reconsider its authorization of the 9 cent fare with a view of continuing the 8 cent fare.

Hence, in view of the position expressed by Commissioner Eastman in his concurring opinion in Ex Parte 148, on rehearing;

> "* * * this is not a time when the making of corporate profits or even the increasing of individual income is entitled to any high place in our motives or thoughts.

The same is true of the recouping of peace-time deficiencies." (Sheet 39)

And in view of Petitioner's tremendously improved current earnings, it is requested that this Commission reconsider its previous modification of its original order, and return Petitioner's downtown fares to the original level of 8 cents. This will serve the national program to keep down the cost of living.

In any event before the fares are increased on the basis suggested by the Company, a further hearing should be held.

Respectfully submitted, Fred M. Vinson, Economic Stabilization Director; Prentiss M. Brown, Administrator, Office of Price Administration; by George J. Burke, General Counsel; David F. Cavers, Assistant General Counsel; Harry R. Booth, Utilities Counsel; W. Russell Gorman, Attorney, Legal Department, Office of Price Administration.

Washington, D. C., July 17, 1943.

[fol. 597b] EXHIBIT A

Month		Deficit [1]
1943	January	$17,915
	February	36,087
	March	11,017
	April	5,707
	May	5,072
	Total	$75,798

1943—5-month deficit (Actual)	$75,798
1943 deficit (Estimated)	181,915[2]
1943 interest on income bonds = 27,711,000. × .05 =	1,385,550
1943 deficit	181,915
Available for Interest On Income Bonds	$1,203,635

Rate Earned On Income Bonds

1,203,635 ÷ 27,711,000 = 4.34%

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[1] "Deficit" is defined as the amount by which the company failed to earn full interest on its income bonds.

[2] 75,798 × 12/5 = $181,915. This method of estimating a full year's operation from results of part of the year is the same as used by petitioner in estimating 1943 volume of traffic, in its Exhibit #1.

[fol. 597-c]. Certificate of Service

I hereby certify that I have served the foregoing document upon all parties of record in this proceeding by mailing a copy thereof properly addressed to each of their attorneys of record.

Dated at Washington, D. C., this 19th day of July, 1943.

Harry R. Booth, Utilities Counsel.

[fol. 598] Intervenor's Exhibit "3"

Before the Interstate Commerce Commission

Investigation and Suspension Docket No. 4394

Passenger Fares of Hudson and Manhattan Railroad Company

Exceptions of Prentiss M. Brown, Price Administrator, On Behalf of the Director of Economic Stabilization, to Report On Further Hearing Proposed by Examiner R. J. Trezise, and Brief in Support Thereof

March 8, 1943.

[fol. 599] Comes now Prentiss M. Brown, Price Administrator, on behalf of the Director of Economic Stabilization, and in the particulars hereinafter set forth specifically and respectfully takes exception to the report on further hearing proposed by Examiner R. N. Trezise:

Exceptions

1. Exception is taken to the failure of the proposed report to recognize that the question of divisions of rates under joint service is an issue in this proceeding.

2. Exception is taken to the failure to evaluate the effect of the proposed increase upon the volume of traffic.

3. Exception is taken to the proposed report which recognizes highly problematical future increases in operating costs as a justification for increased fares.

4. Exception is taken to the contradictory and insistent conclusions contained in the proposed report.

5. Exception is taken to the proposed report which infers that emergency transportation conditions resulting from the war are justification for forcing increased fares upon the passenger public.

6. Exception is taken to the failure to explain the reasoning which justifies a reversal of the earlier opinion and order.

[fol. 600] 7. Exception is taken to the misstatements and misconstructions of the brief of the Price Administrator.

8. Exception is taken to the general failure of the proposed report to evaluate the evidence.

[fol. 601] Exception Is Taken to the Failure of the Proposed Report to Recognize That the Question of Divisions of Rates under Joint Service Is An Issue in This Proceeding

In its earlier report in this matter (227 I. C. C. 741), which was upheld by the United States Supreme Court (313 U. S. 98), the Commission, in prescribing an 8-cent downtown fare in lieu of the 10-cent fare then requested, said at page 762:

> If respondent should feel impelled to seek a further increase in revenue, it should consider doing so on interline traffic.

In the proposed report, the examiner states (page 4):

> As previously stated, whether respondent is entitled to increased divisions of rates under the joint service with the Pennsylvania is not directly within the scope of this proceeding. There may be incalculable reasons, not in evidence, for the continuance of the present divisions.

Such conclusion is wholly at variance with the facts, and constitutes a summary reversal of the previous finding of the Commission, and that without evidence in support of such action.

Respondent sought the reopening of this proceeding because of its claimed need for increased revenues, which it states "can not be obtained except by the establishment of a fare of 10 cents on its downtown line" (Petition p. 18). The petition is clearly an indication that respondent feels

"impelled to seek a further increase in revenue," therefore, as contemplated by the Commission, "it should consider doing so on interline traffic."

In view of the Commission's previously expressed opinion, as quoted above, the respondent's request for addi- [fol. 602] tional revenues, the matter of divisions of rates on interline traffic obviously becomes an issue in this reopened proceeding. As an issue, it is not sufficient that the examiner find that respondent "has *dignified* the suggestion by serious consideration". (We have assumed it had the dignity generally accorded to utterances contained in formal Commission opinions.) The fact remains that respondent "declined to seek increased divisions of joint rates with the Pennsylvania, directly or through formal complaint".

Respondent seeks additional net revenues to meet its bond interest requirements. As a means of obtaining this end, it proposes to increase the fare on its downtown line from 6 cents to 8 cents. We believe the proposed report should determine: (1) Whether increased net revenues are needed by respondent; and (2) whether the increase in fare requested is the most proper means of obtaining such revenues.

At page 4 the examiner says:

> If the division of the downtown joint fare were increased 1 per cent the revenues therefrom would not meet respondent's annual deficits in interest on its bonds.

And at page 13 of the proposed report it is said:

> It is true that the fares for the joint service between the Pennsylvania and respondent were increased 10 percent under the general authority of the Commission in 1942, without an increase of 10 percent in divisions to respondent, but whether such an increase in divisions would be warranted or required upon an appropriate record is merely a matter of conjecture. It does appear, however, that a 10 percent increase in these divisions, which are calculated should yield $1,107,993, would be insufficient to meet the annual interest on respondent's bonds allocated to its property devoted to railroad use.

[fol. 603] The mere fact that there are insufficient grounds in the present record to justify a conclusion that additional revenues might be obtained from increased divisions is certainly no reason for such summary disposition of this important issue. It is self-evident that a sum of $1,107,993 would not meet interest requirements on that portion of the outstanding bonds allocated to railroad properties. But it is equally self-evident that the need for increased fares on the downtown line will be lessened to the extent that increased revenue is obtainable from interline divisions.

The examiner concludes that (page 4):

> There may be incalculable reasons, not in evidence, for the continuance of the present divisions.

This is indeed a novel thought. It is here suggested that the Commission should reverse its earlier opinion because of reasons *not in evidence.*

The basic factors concerning interline traffic are the same now as at the time of the Commission's earlier report *excepting that Pennsylvania's fares have been increased 10 per cent.* Certainly this change is no justification for the respondent's failure to follow the Commission's direction. Nor is it justification for reversal of the minds of the Commission as previously reflected.

Rather than dismiss the matter of divisions in this lighthearted manner, the report should find that respondent has been derelict in its duty, and also that this subject should be fully explored and spread upon the record so that a determination might be made as to the real and positive need for the requested increased fare. Since the record does not contain complete evidence on this subject, the report should find that the proposed fare has not been justified as necessary.

[fol. 604] This question was properly posed at page 754 of the earlier report of the Commission in this proceeding as follows:

> Admitting the need for increased revenue, two questions present themselves: First, is the proposed increased fare reasonable from the standpoint of the value of service to the public; and second, would it produce the needed additional revenue or would some other fare be more likely to produce the desired result? *In determining the latter question, consideration may*

be and should be given to whether any railroad service of respondent, other than the local downtown service, can be made to, and should be expected to, contribute some or all of the additional revenue needed. (Emphasis supplied.)

And this proposed report errs in not supplying the answers to these questions.

[fol. 605] Exception Is Taken to the Failure to Evaluate the Effect of the Proposed Increase upon the Volume of Traffic

As we have noted elsewhere herein, the proposed report contains few definite conclusions or specific findings as to facts in dispute in this case. Illustrative of this vacillation is the inability of the reader thereof to determine what conclusion, if any, the examiner reaches as to the effect of the proposed increase upon the volume of traffic, i. e., the diversion factor. This apparent failure is perhaps explained by the patent inability of the examiner to determine in retrospect the reasons for the lessening of traffic and respondent's downtown line between 1937 and 1941.

On page 5 it is said:

> • • • even with the diversion of traffic which resulted from the increase to 8 cents.

And on page 6:

> • • • assuming that under a 6-cent fare the diversion of passengers which was incident to the increase to the present 8-cent fare had not occurred.

These excerpts, and other statements on page 8 indicate that the examiner was clearly of the opinion that the increase from 6 cents to an 8-cent fare occasioned large diversions.

But again on page 6, it is said:

> Traffic decreased from 77,989,857 passengers in 1937 to 65,847,289 passengers in 1941, or 15.57 percent as previously indicated, resulting from a continuance of the same general factors which the Commission found in its original report were responsible for the reduction in the period from 1929 to 1937.

The "same general factors" which the Commission found responsible for the decline, did not, of course, include diversions resulting from fare increases. There were no increases between 1929 and 1937. So we must conclude that, [fol. 606] at this particular point, the examiner does not give recognition to the diversion which everyone else conceded to be a result of the increase to an 8-cent fare.

Perhaps, as we said, this inability to analyze past reactions to fare increases explains the failure to estimate the probable effect of the increase presently proposed. As we have noted elsewhere herein, the examiner dismisses protestants' diversion estimates as being "merely speculation of what the future might bring forth". Without hazarding even a guess as to the probable amount of diversion, which is basically essential to any estimate of future revenues under increased fares, the examiner says simply that (pages 10-20):

> Respondent is highly in need of revenue, and despite the possible percentage of diversion of passengers to other modes of transportation, calculated with varying estimates, it is sufficiently clear that additional net revenue would be obtained by the increase proposed, and respondent is here willing to assume the risk of the diversion of a percentage of traffic, contending with emphasis that the proposed increase would inevitably result in such increased net revenue.

Apparently this is intended to convey the thought that increased net revenues *must* result to respondent no matter what diversion may result. But the proposed report fails to resolve the dispute between protestants and respondent as to the matter of diversion. Such resolution is necessary to a proper estimation of the results which may accrue to respondent if its downtown fare is increased.

It is said here that (page 4):

> The conclusion in the original report that the proposed 10-cent fare would be unreasonable was based chiefly on the finding that "the revenue results to respondent, especially over an extended period of time, [fol. 607] would be more favorable under an 8-cent than under a 10-cent fare on the downtown line".

Yet, this proposed report, intended to completely overrule the original report, does not determine the fundamental

question whether diversion under the 10-cent fare will still be a percentage which would preclude respondent from gaining the net revenues it seeks. This fundamental issue was raised by the original report and the dissent thereto. It must be resolved before reversal of the original report is justified.

[fol. 608] Exception Is Taken to the Proposed Report which Recognizes Highly Problematical Future Increases in Operating Costs as a Justification for Increased Fares

The proposed report cites with apparent approval problematical increases in operating costs which respondent estimates it may incur at some future time, such as:

> Estimates that increases in wages will soon be applied to about 20 per cent of respondent's employees, aggregating approximately $226,500 per annum;
> Possible "indeterminable" increases in costs of material and supplies;
> Increases in Federal income taxes, and "perhaps" State taxes; and
> A nebulous thing called "operating costs for labor."

Certainly it is possible that operating costs may be increased at some future time. But we are not familiar with any law or interpretation which provides that such remote possibilities shall be given credence in determining rates. It is true that rates are fixed for the future, but not upon such extreme speculations as an unrendered decision of a court which may lead to imposition of higher taxes by the legislature. Such forecasting far exceeds the realm of speculation. These are conjectures unworthy of consideration.

Nor, as this Commission has said, should abnormal Federal income taxes serve as an excuse for the imposition of penalty fares. At 248 I. C. C. 545, 556, in the matter of *Increased Railway Rates, Fares, and Charges, 1942*, the Commission re-emphasized a previous holding in *Reduced Rates, 1922*, 68 I. C. C. 676, 683, to the effect that:

> [fol. 609] railway corporations should, like other corporations, pay their Federal income taxes out of the income, rather than collect it, in effect, from the public in the form of transportation charges adjusted to en-

able it (them) to retain the designated fair return over and above the tax.

We have not heretofore considered the proper allowance of Federal income taxes as an issue in this proceeding, being of the opinion that respondent did not anticipate taxable profits even under the proposed rate. However, the interjection by the examiner of a question of Federal income taxes seems to anticipate profits, and revenues in excess of those required to meet current bond interest. If such taxes may conceivably become payable then, it would appear, the proposed report is based entirely upon false premises.

At page 12 it is said:

> Protestants concede that in addition to meeting the interest on bonds respondents should realize augmented sums to meet the contemplated operating expenses and taxes in 1943.

We have at no time made such concession, nor do we now. Therefore, if the designation "protestants" is intended to include this intervenor, this statement should be modified.

[fol. 610] Exception Is Taken to the Contradictory and Inconsistent Conclusions Contained in the Proposed Report

In this report the examiner finds that the Commission's earlier opinion and order in this matter should be set aside. He proposes repudiation and reversal of the opinion and order which were approved by the United States Supreme Court.

In support of his proposed finding, the examiner determines that (page 4):

> The conclusion in the original report that the proposed 10-cent fare would be unreasonable was based chiefly on the finding that "the revenue results to respondent, especially over an extended period of time, would be more favorable under an 8-cent than under a 10-cent fare on the downtown line." Under conditions as they were then and until the early part of 1942 that fact finding appears to have been correct, but those conditions have since materially changed, as will presently be discussed.

At page 6 it is said:

> These conditions have now materially changed. The incidences of war conditions within the last year have arrested the decline of respondent's traffic and actually augmented it.

Thus we find that the examiner is of the opinion that such changed conditions justify a complete reversal of the earlier opinion. He finds in effect that under such changed conditions:

> the revenue results to respondent, *especially over an extended period of time*, would be more favorable under a 10-cent fare than under an 8-cent fare on the downtown line.

However, the examiner reacts in horror to protestant's suggestion that such changed conditions might occasion substantial increases in passenger traffic, and that greater revenues would therefore derive from the present 8-cent fare than under the proposed 10-cent fare.

[fol. 611] He states that (page 11):

> If credence could be assigned to protestant's prophecy of increase for 1943 under the present fares, joint and local, the excess gross revenue for 1943 over 1941, allowing for the estimated increased costs for 1943, would result in $442,251.68 more than necessary to meet the estimated increased cost and the deficit which for the year 1941 amounted to $892,148.32.

But concludes that:

> Such estimates of increased traffic are merely conjecture based upon an abnormal condition that is far from permanent, and should not be persuasive in this proceeding.

In other words, we are to believe that "abnormal" and "changed conditions" are sufficiently permanent to justify a finding directly contrary to that previously made by the Commission. But they are not sufficiently permanent to justify a conclusion that the increase in traffic occasioned by such conditions will continue. "Sauce for the goose (respondent) is [not] sauce for the ganders" (protestants).

At page 20 it is said:

> Rates should not be made permanent based upon abnormal conditions of a transitory nature, but the circumstances and conditions as developed upon further hearing tend to the conclusion that respondent is entitled to earn somewhat greater revenue than at present.

This conclusion can only be supported, if at all, by the improper consideration of the evidence which we have pointed out. If the contentions of respondent and protestants are to be considered in the same light, i.e., upon the theory that changed conditions will continue for such time as to be considered fairly permanent, then full and fair evaluation must be made of protestants' estimates. They can not fairly be disregarded as "merely conjecture [fol. 612] based upon an abnormal condition that is far from permanent". On the other hand, if of a mind that "changed conditions" are "abnormal" and of a "transitory nature" and, therefore, too unstable for consideration, the examiner should find that respondent's case has failed and that the earlier finding of the Commission must hold.

These contradictions and inconsistencies react favorably to the benefit of the respondent. They implant the doubt as to whether the proposed report proceeds forwardly to a proper finding upon the facts, or backwardly from a predetermined finding not justified by the conclusions stated in the report.

These contradictions and inconsistencies should and must be fairly resolved.

[fol. 613] Exception Is Taken to the Proposed Report which Infers that Emergency Transportation Conditions Resulting from the War Are Justification for Forcing Increased Fares upon the Passenger Public

The proposed report sets forth the "incidences of war conditions within the last year" which have arrested the decline of respondent's traffic. These apparently are of the principal justifications for the ultimate proposed finding that the ten cent fare is justified.

We except from the suggestion that higher fares are now justified because the use of other forms of transportation has been curtailed and because war plants require the

transportation of more workers. The new conditions referred to are those resulting from our extreme war effort and dislocated transportation systems, and they are not justification for reversal of the earlier opinion.

The inference that an increase is now justified because of the "incidence of war conditions", which was not justified under peaceful conditions, means simply that an increase may be effected now because the passengers must bear it perforce. It is intended that this matter be decided and fares fixed according to what it is believed the traffic will bear, and in disregard of other possible sources of revenue such as interline divisions, the proposed report should specifically so state.

[fol. 614] Exception is taken to the failure to explain the reasoning which justifies a reversal of the earlier opinion and order

We have noted elsewhere herein the failure of the proposed report to set forth findings and conclusions which would justify the reversal of the findings and conclusions contained in the earlier report herein. Another illustration of this lack of foundation is the failure of the report to find that the charging of the same fares on the downtown line as on the uptown line would not be unduly prejudicial.

At page 754 of the earlier report it is said:

> From what has already been said herein it is evident that any increase in the uptown fare of 10 cents could hardly be expected to return increased net revenue to respondent. * * * In this connection, however, it is noteworthy that the cost per passenger to respondent in the uptown service is evidently substantially greater than that in the downtown service. This is apparent, not only from the difference in the hauls, but from the number of passengers per car transported on the respective lines. * * * From the standpoint of the cost of the service to respondent, therefore, as well as the value of the service to the passenger, it would seem that if 10 cents is a maximum reasonable fare for the uptown service the reasonable fare for the downtown service must be something less than 10 cents.

From this language it is clear that the Commission there found that identical rates on both the uptown and downtown lines would be discriminatory in that they would unduly

prejudice the downtown passengers and give undue preference to the uptown passengers. Such discrimination is, of course, violative of the provisions of the Interstate Commerce Act. Yet the examiner in this proposed report, in the customary manner manifested throughout the writing, quickly and without reason disposes of this important issue as follows (page 16-17):

> [fol. 615] Protestants contend that to charge the same fare, 10 cents, on the downtown line as on the uptown line would be unduly prejudicial to downtown passengers and unduly preferential of uptown passengers.

After recognizing the issue, the examiner refers only to protestants' statements showing the average mileage between stations on the uptown and downtown lines. Then, without discussion, the examiner finds simply that:

> The record on further hearing does not support a finding of undue prejudice, based on distance or other considerations.

Thus in this simple, naive manner is the issue laid at rest. Without any explanation whatsoever, the earlier finding of the Commission, as approved by the Supreme Court, is reversed and nullified.

The record on further hearing does not contain evidence contradictory to that which served as the basis for the previous finding that identical fares would be unduly discriminatory.

We except from the proposed summary disposition of this issue, and suggest that the report be revised to show specifically wherein the present record justifies a conclusion contrary to that expressed in the earlier opinion on this subject.

[fol. 616] Exception is taken to the misstatements and misconstructions of the brief of the Price Administrator

At page 15 of the proposed report it is stated:

> Various other analyses of the earnings and revenues of respondent are dealt with at great length by the Price Administrator in his brief, but they are directed to the earning capacity of respondent much of which has already been discussed in this report, rather than as to whether the proposal would result in inflation or

> substantial increased cost of living under the Emergency Price Control Act under authority of which the Price Administrator filed his brief on behalf of the Director of Economic Stabilization, which subject will presently be discussed.

This language of the report suggests that the interest of the Price Administrator in this proceeding, or others of like nature, does not embrace the right to question and consider the financial position, earnings and revenues of respondent. The rights of the Price Administrator in such matters is fully discussed in the opinion of the District Court of the United States for the District of Columbia in the cases of Byrnes, et al., v. Flanagan, et al., decided February 1, 1943. It is inconceivable that this veiled suggestion should be made that the Price Administrator exercise the right of intervention conferred by the Act of October 2, 1942, without regard to a consideration of the financial position, earnings, and revenues of respondent. Mayhap the examiner was unduly swayed by the glowing nature of respondent's reply brief.

Again at page 17 it is said:

> While the brief filed by the Price Administrator contains the allegation that the cost of living would be increased by the proposed 2-cent increase in the downtown fare, and that this would ultimately result in [fol. 617] disastrous inflation, substantially the whole of the brief constitutes a reply to the original briefs which were filed on October 24, 1942, by the parties, including respondent, concerning whether the proposed increase would constitute a violation of the Interstate Commerce Act.

Such statements are wholly at variance with the facts. As to the first part of this statement we invite comparison to that which was actually set forth in our brief at pages 23-24:

> In a vital defense area such as the New York-New Jersey area served by petitioner, where millions of defense workers are employed, adequate commutation facilities must be provided. And they must be made available at reasonable fares. Otherwise the cost of living of such workers will increase and may occasion demands for increases in wages and salaries. Thus is the spiral commenced which leads ultimately to disastrous inflation. That the proposed increased fare

would result in a considerable increase in the cost of living of the commuting passengers has always been found by the Commission (227 I. C. C. 757-758).

We apparently were in error in our assumption that the elementary factors which contribute to the inflationary spiral would be readily understood by those interested in the reading of our brief. What we had reference to was that spiral which starts with increases in cost of necessary living items. The pressure placed on the individual by the snowballing of such increases occasions him to demand higher wages. The employer needs increased revenues to off-set increased operating costs resulting from such increased labor costs. Thus the circle is complete. Then the same things continue the spiral until we are ultimately faced with the threatened destruction of our economy by inflation. To this we had reference. We did not, nor do we now, suggest that this proposed increase in fare will in and of itself result in inflation. Such a suggestion would, of course, be asinine. But rather we suggested that such increase when coupled [fol. 618] with other increases in the cost of living commence the rise of that spiral, which, if not arrested, must lead inevitably to the pitfall of inflation. It was not said that the increase of fares in itself "would ultimately result in disastrous inflation". We ask that the report be corrected to conform to the facts.

The references in the report to the brief of the Price Administrator are taken up primarily with the criticism by respondent of the brief, which criticism the report seems to espouse. The report ignores, however, the most pertinent portion of the argument on behalf of the Price Administrator.

The main portion of that brief is but a prelude to the ultimate conclusion that no showing has been made by respondent to conclusively demonstrate that a 2-cent increase above the fare in effect on September 15, 1942, is "necessary to aid in the effective prosecution of the war or to correct gross inequities".

We pointed out the language and purposes of the Emergency Price Control Act of 1942. And we also pointed out the avowed purpose of Congress as contained in the amendatory Act of October 2, 1942. We reminded the Commission of the President's directive to it and to "all departments and agencies of the Government * * * to stabilize the cost of living in accordance with the Act of

October 2, 1942", as set forth in Paragraph 4 of Title I of Executive Order No. 9250.

Despite these things, the proposed report omits any reference to the findings required by the Act of October 2, 1942. We request that the report be amended to show wherein it is found that the increased fare is "necessary to aid in the effective prosecution of the war or to correct gross inequities", without which showing the Act says adjustments should not be made.

[fol. 619] Exception is taken to the general failure of the proposed report to evaluate the evidence

This proposed report fails generally to evaluate the evidence presented on further hearing. In the main, it consists merely of a narrative summation of certain portions of the several briefs. No serious attempt is made to resolve the issues presented.

On several points the examiner reaches certain conclusions or findings. But almost without exception, the reasoning which leads to such conclusions or findings is wholly lacking. There are no subsidiary findings, no explanations, nor discussions of the evidence.

The report does not show wherein there is jusitfication for upsetting the opinions of the Commission and the Supreme Court in this matter. It merely finds that this should be done.

[fol. 620] Conclusion

We conclude that the proposed report fails to set forth reasons, conclusions, or findings sufficient to justify the reversal or setting aside of the earlier opinion in this matter.

Therefore, it is respectfully requested that the report proposed be modified and corrected in the manner heretofore indicated, and in such other respects as may be proper, and that the petition for increased fare be dismissed or denied.

Respectfully submitted, Prentiss M. Brown, Administrator of the Office of Price Administration. On behalf of James F. Byrnes, Director of Economic Stabilization. By David Ginsburg, General Counsel. Harold Leventhal, Assistant General Counsel, Harry R. Booth, Utilities Counsel. W. Russell Gorman, Attorney. Legal Division, Office of Price Administration.

[fols. 621-622] CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties of record in this proceeding by mailing a copy thereof properly addressed to each of their attorneys of record.

Dated at Washington, D. C., this 8th day of March, 1943.

W. Russell Gorman, Attorney.

[fol. 623] HUDSON & MANHATTAN EXHIBIT "I"

BEFORE THE INTERSTATE COMMERCE COMMISSION

I. & S. DOCKET No. 4394

PASSENGER FARES OF THE HUDSON & MANHATTAN RAILROAD COMPANY

Reply of Hudson & Manhattan Railroad Company to motion of Fred M. Vinson, Economic Stabilization Director, by Prentiss M. Brown, Price Administrator, for modification and amendment of the Commission's order of September 18, 1943, and for reopening

The Economic Stabilization Director, through the Price Administrator,* has petitioned the Commission

> "to modify and amend its order of September 18, 1943, to eliminate the restrictions heretofore imposed upon said reopened hearing, [*and*] to reopen said proceedings for the purpose of receiving testimony and exhibits with respect to the revenues, income and expense of the company, in order that said record be brought up to date; including evidence and exhibits [fol. 624] relating to the right and need of the company for an increase in rates, charges and revenues over and above those in effect on September 15, 1942 * * *."

It is significant that the New Jersey protestants have neither joined in that petition nor filed such a petition on their own behalf. The reason is obvious.

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* Hereinafter in this reply the term "Price Administrator" will be used to designate both that official and the Economic Stabilization director.

The petition of the Price Administrator asks the reopening of the Commission's findings and order of June 8, 1943 which authorized the railroad to increase to 9 cents the 8 cent fare in effect on its downtown line, and which lower fare had been in effect on that line on September 15, 1942 by virtue of the Commission's findings and order of July 11, 1938. The New Jersey protestants could not join in such a petition without stultifying their complaint, filed on September 16, 1943, and still pending in the United States District Court for the District of New Jersey. That complaint (Exhibit F-143) specifically asked that the Court require the Commission to abide by its report and order of June 8, 1943, prescribing a 9 cent fare as a maximum reasonable fare on the railroad's downtown line, and to enjoin the Commission from the modifications of said 9 cent fare authorized by that report and order. As a way out of this dilemma resort was had to the transparent device of having the Price Administrator, instead of the New Jersey protestants, file a petition for reopening, attacking the reasonableness of such 9 cent fare.

The anomolous situation is, therefore, presented where the Price Administrator seeks reopening on an issue with which the Price Administrator, in his representative capacity, has, primarily at least, no proper concern,* that [fol. 625] is, the reasonableness, under the Interstate Commerce Act, of the 9 cent fare on the railroad's downtown line, authorized by the Commission's order of June 8, 1943, whereas the New Jersey protestants, who presumably would be primarily interested in this issue, have filed no petition for reopening with respect to it.

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* In this connection, see the railroad's brief of December 28, 1942, in reply to the Brief for Leon Henderson, Price Administrator, etc., dated December 14, 1942. Under Points I, II and III of the railroad's brief, it is shown that the only issue in these proceedings with which the Price Administrator is properly concerned, under his intervention as representative of the Director of Economic Stabilization, is whether an increase in the railroad's fares will result in inflation or increased cost of living, and that the Price Administrator primarily has no concern, under such intervention, in any issue as to the reasonableness of those fares under the Interstate Commerce Act.

On the other hand, the Price Administrator's petition for reopening, so far as it touches at all the issue with which he primarily has any proper concern, that is, the issue of inflation, fails wholly to comply with Rule 101 (b) of the General Rules of Practice.

That rule reads as follows:

> "Rule 101. Petitions for rehearing, reargument or reconsideration.
>
> • • • • • • •
>
> (b) *Rehearing or further hearing.* When in a petition filed under this rule opportunity is sought to introduce evidence, *the evidence to be adduced must be stated briefly,* such evidence must not appear to be cumulative, *and explanation must be given why such evidence was not previously adduced.*"

[fol. 626] The only reference in the Price Administrator's petition for reopening, even by implication, to the issue of inflation is to be found in Paragraph 11 of that petition, where the Price Administrator states:

> "Protestant believes that the increase in rates over and above 8 cents on the downtown lines of respondent is not necessary, that the company's earnings under the existing fares is adequate and that increase in fares over and above the fares in effect on September 15, 1942, is contrary to and in conflict with the national stabilization program and policies of the government and will interfere with the efforts and duties of protestants to keep down the cost of living under such legislation. • • •"

Plainly, this statement is purely argumentative and does not state, briefly or otherwise, what evidence the Price Administrator proposes to adduce on further hearing, showing, or tending to show, that either the 9 cent fare on the railroad's downtown line authorized by the Commission's findings and order of June 8, 1943, or the modifications of that fare authorized by the Commission's findings and order of August 3, 1943, would or could result in inflation or increased cost of living.

Neither does Paragraph 11 of the Price Administrator's petition state, as required by Rule 101 (b)

> "why such evidence was not previously adduced."

The reason for the failure of the Price Administrator's petition to comply with Rule 101 (b) in this respect is obvious. It is the very reason the Price Administrator has previously given for not adducing such evidence, that is, [fol. 627] that no such evidence exists. At page 20 of the Price Administrator's exceptions of March 3, 1943 to the proposed report of Examiner Trezise, the Price Administrator expressly conceded that

> "We did not, nor do we now, suggest that this proposed increase in fare will in and of itself result in inflation. Such a suggestion would, of course, be asinine."

It is to be noted, moreover, that the Price Administrator made this concession in connection with the then pending proposal of the railroad to increase the fare on its downtown line to 10 cents, which 10 cent fare Examiner Trezise's proposed report had recommended should be approved. Clearly, if, as the Price Administrator then expressly conceded, a 10-cent fare on the railroad's downtown line could not, in itself, result in inflation, still less could the 9 cent fare authorized by the Commission's order of June 8, 1943 have such a result.

Furthermore, it is to be noted that in the Commission's report of June 8, 1943 the Commission itself specifically disposes of any contention that the increase in the fare on the downtown line to 9 cents there authorized could result in inflation or otherwise conflict with the Emergency Price Control Act of 1942, as amended.

At Sheet 17 of that report, the Commission says:

> "It seems to us that an increase of 1 cent in respondent's downtown fare is unlikely to have any inflationary effect, and that the effect thereof upon the cost of living, while a factor to be given consideration, will be so slight, a maximum of about 12 cents a week and [fol. 628] 52 cents a month per passenger, as to be negligible. We believe, therefore, that the increased fare herein approved will not be in conflict with the Emergency Price Control Act of 1942, as amended."

It is equally clear that the Price Administrator's petition for reopening does not comply with Rule 101 (b), even so far as the only real issue presented by that petition is

concerned, that is, the reasonableness of the 9 cent fare on the railroad's downtown line authorized by the Commission's order of June 8, 1943. Here again, the Price Administrator's petition fails to state, briefly or otherwise, what evidence he proposes to adduce on this issue, unless the nature of such evidence can be deduced *arguendo* from Paragraphs 7 and 8 of that petition.

Paragraphs 7 and 8 refer to the Examiner's refusal, at further hearing on September 28 and 29, 1943, to permit the introduction of certain evidence, purporting to be directed to the reasonableness of the 9 cent fare, on the ground that such evidence went beyond the limitations of the Commission's order of reopening of September 18, 1943. The Examiner construed that order as limiting the evidence to be received under it to evidence directed solely to the modifications of the Commission's findings and order of June 8, 1943, made by the Commission's findings and order of August 8, 1943, and, therefore, as not extending to the receipt of evidence directed to the reasonableness of the 9 cent fare authorized by such findings and order of June 8, 1943. It is presumably this excluded evidence which the Price Administrator, by the prayer of his petition, asks leave to present on reopening.

It is to be noted, however, that the Price Administrator clearly misconceives the relevance of such excluded evidence, [fol. 629] both legally and factually, to the question of the reasonableness of the 9 cent fare on the railroad's downtown line authorized by the Commission's findings and order of June 8, 1943.

Assuming that such evidence would show that the railroad, under the 9 cent fare, had it become effective, would have earned more revenue than the Commission had estimated it would earn under such fare, this would neither prove nor tend to prove the 9 cent fare unreasonable or otherwise unlawful. This is clearly demonstrated by the fact that in the Commission's findings and order of August 3, 1943 it permitted such 9 cent fare to be slightly increased, in spite of the fact, as recited at Sheets 8 and 9 of the Commission's report of that date, that the number of interstate local passengers carried on the railroad's downtown line in the first half of 1943, adjusted to an annual basis, reflects an increase over 1941 of 18.2 per cent., compared with an increase of 12.7 per cent. as estimated by the Commission at Sheet 16 of its report of June 8, 1943.

The fallacy of the Price Administrator's contentions with

respect to the excluded evidence lies in the assumption that the 9 cent fare on the railroad's downtown line authorized by the Commission's findings and order of June 8, 1943 would, *ipso facto*, become unreasonable if, under that fare, the railroad should earn greater revenue than the Commission had estimated that fare would yield. The purpose of the Commission's estimate was not to limit the railroad to earning only such revenue under the authorized 9 cent fare as in the Commission's then judgment that fare might yield. Such estimate was merely to indicate that, as a maximum reasonable fare, the authorized 9 cent fare should [fol. 630] be adequate, or substantially adequate, to yield the revenue necessary to meet the railroad's current bond interest. Neither in a revenue case, or in any other proceeding, would the Commission have had authority to authorize higher than a maximum reasonable fare, even though such a fare could not yield the railroad the revenue adequate to meet its current bond interest. On the other hand, if, as the Commission's report of June 8, 1943 expressly finds, the 9 cent fare would in itself not exceed a maximum reasonable fare, it could not become *per se* unreasonable merely because it might yield the railroad more revenue than the Commission then estimated.

There is a further paradoxical aspect to the Price Administrator's petition for reopening. That petition obviously is not complete in itself and the contention of the Price Administrator that the 9 cent fare authorized by the Commission's findings and order of June 8, 1943, is unreasonable can only be fully understood by a reference to Point I (b), (c) and (d) and Point III (b) of the Price Administrator's brief, dated October 14, 1943, upon the reopened hearing of September 28, 1943, and to Appendices A and B to that brief.

Obviously the railroad would have been justified in moving to strike such portions of the Price Administrator's brief as clearly violating the limitation upon the issues made in the Commission's order of reopening of September 18, 1943 and the Examiner's express rulings under that order.*

* That is likewise true of similar contentions in the brief, dated October 14, 1943, of the New Jersey protestants on such reopening, entitled "Brief of Protestants on Further Hearing commencing September 28, 1943."

[fol. 631] The railroad, however, made no motion to strike such portions of the Price Administrator's brief, because they serve further to make clear the fallacies involved in the Price Administrator's contentions with respect to the unreasonableness of the 9 cent fare on the railroad's downtown line authorized by the Commission's findings and order of June 8, 1943, as well as in the Price Administrator's similar contentions as to the modifications of such findings and order made by the Commission's findings and order of August 3, 1943.

The contentions of the Price Administrator's brief in these respects are epitomized at pages 8-10 of his brief, taken in connection with Appendices A and B thereto. They are in substance that the railroad's evidence is erroneous in representing that under its proposed uniform application to its downtown and uptown lines of the alternative fares of 11 tokens for $1 or a cash fare of a dime, the railroad would earn less revenue than it would earn under the application of a straight 9 cent fare on its downtown line and a straight 10 cent fare on its uptown line. The Price Administrator's brief attempts to show that, on any assumed basis of token use shown by the record, the railroad would earn more under its proposed uniform alternative fares than under the application of a 9 cent fare to its downtown line and a 10 cent fare to its uptown line; further that the railroad, even on the basis of its assumed use of 90 per cent. tokens and 10 per cent. dime cash fares, would earn more gross revenue than the Commission's report of August 3, 1943 estimated it would earn under the Commission's findings and order of June 8, 1943.

[fol. 632] In demonstrating the fallacies of these contentions in the Price Administrator's brief the railroad will confine itself to such contentions applied to a token use of 90 per cent, and a cash fare use of 10 per cent. This is because, as shown under Point III of the railroad's brief dated October 14, 1943 on reopening and further hearing, there is no competent testimony in the record to justify the Price Administrator's use in his brief of estimates of probable average token use either of 33.76 per cent. or 47.5 per cent. Neither is there any competent evidence to show that the Commission erred in accepting a 90 per cent. token use as a reasonable estimate, as stated at Sheet 7 of its report of August 3, 1943.

It may be categorically stated that all contentions of the Price Administrator relating to a 90 per cent. token use and a 10 per cent. cash fare use are based on errors of fact.

These contentions are all directed to the railroad's Exhibit F-150, presented by its Comptroller, Mr. Fritsch, and to his testimony with relation to such exhibit. Mr. Fritsch testified (Tr. 2210) that on the basis of the actual local interstate traffic on the railroad's downtown and uptown lines for the eight months ended August 31, 1943, adjusted to twelve months, and under the railroad's proposed alternative fares uniformly applied to its uptown and downtown lines on an assumed use of 90 per cent. tokens and 10 per cent. cash fares, the railroad would earn $81,451.89 less than it would earn on the same traffic under a straight 9 cent fare on its downtown line and a 10 cent fare on its uptown line. Mr. Fritsch further testified that this figure did not take into consideration the Commission's estimate in its [fol. 633] report of August 3, 1943 that under either a 9 cent cash fare or a 9 1/11 cent token fare there would be a 5 per cent. diversion of the railroad's traffic on its downtown line. Based upon a hasty calculation made at the hearing, Mr. Fritsch testified (Tr. 2211) that giving effect to such a 5 per cent. diversion the reduction in revenue would be $74,538.80 instead of $81,451.89. This figure of $74,538.80 is patently erroneous. It is obvious that with a diversion of 5 per cent. of the traffic on the downtown line the reduction in revenue would have to be greater than with no such diversion.

The following tabulation shows what the revenues would be under the proposed alternative fares on the basis of the annual traffic shown by Exhibit F-150, giving effect to a 5 per cent. diversion on the downtown line, and with an assumed 90 per cent. use of tokens and a 10 per cent. use of cash fares:

Downtown, less 5% diversion.....	36,630,963		
90% @ tokens, 11 for $1.....	32,967,858	$2,997,078.09	
10% @ 10¢.....	3,663,095	$366,309.50	$3,363,387.59
Uptown, no diversion or increase..	18,523,875		
90% @ tokens, 11 for $1.....	16,671,488	$1,515,589.82	
10% @ 10¢.....	1,852,387	$185,238.70	$1,700,828.52
Total			$5,064,216.11

If a 9 cent fare were applied to the number of downtown passengers shown by Exhibit F-150 with a 5 per cent. diver-

sion, the revenue would be $3,296,786.77, and if a 10 cent [fol. 634] fare were applied to the uptown passengers shown by Exhibit F-150 with no diversion, the revenue on that line would be $1,852,387.50, or a combined total revenue of $5,149,173.27. The foregoing tabulation therefore shows that the resulting reduction in revenue would be $85,957.16 instead of $74,538.80 as stated by Mr. Fritsch.

The foregoing tabulation, moreover, shows that under the railroad's proposed alternative fares, taking into account a 5 per cent. diversion on the downtown line, the revenue would be $177,020 less than the $5,241,236 revenue shown on Exhibit F-150, which exhibit does not give effect to such estimated diversion of downtown traffic.

That tabulation, however, is of conclusive significance in connection with Appendix B to the Price Administrator's brief. In Appendix B the Price Administrator expressly concedes that the reasonable gross revenue which the railroad might earn under the Price Administrator's construction of the Commission's order of June 8, 1943, would be $5,165,641. The tabulation demonstrates that the total gross revenue which the railroad would earn under its proposed alternative fares, giving effect to an assumed 5 per cent. diversion on the downtown line, is $5,064,216, or $101,425 less than the Price Administrator concedes the railroad would be entitled to earn under the Commission's order of June 8, 1943, as that order is construed by the Price Administrator.

It would seem that any further reply to the Price Administrator's petition for reopening would be superfluous.

The railroad therefore respectfully submits that the Price Administrator's motion for modification and amendment [fol. 635] of the Commission's order of September 18, 1943, and for reopening, be denied.

Respectfully submitted, John E. Buck, Thomas A. Halleran, John F. Finerty, Attorneys for Petitioner, 30 Church Street, New York, N. Y.

Cravath, de Gersdorff, Swaine & Wood, 15 Broad Street, New York, N. Y., of Counsel.

October 25, 1943.

[fol. 636] Certificate of Service

I hereby certify that I have this day served the foregoing brief upon all parties of record in these proceedings, by mailing a copy thereof, properly addressed to each party of record.

Dated at New York, N. Y., this 23rd day of October, 1943.

John F. Finerty.

[fols. 637-638] Hudson and Manhattan Exhibit "2"

S. S. Eisen, 140 Cedar Street, New York 6, N. Y.

October 25, 1943.

Our file: FN-672.

Re: I. & S Docket No. 4394 Passenger Fares—Hudson & Manhattan Railroad.

Mr. W. P. Bartel, Secretary, Interstate Commerce Commission, Washington 25, D. C.

Dear Sir:

Under date of October 14, 1943, the Economic Stabilization Director, by the Price Administrator, the Office of Price Administration, filed a motion for modification and amendment of the Commission's order of September 18, 1943, and for reopening of the proceeding captioned as above.

On behalf of the New Jersey protestants we hereby adopt and otherwise ratify the contents of the aforesaid petition as though it were our own. In addition to the matters set forth in the aforesaid motion it is the position of the New Jersey protestants herein that they were precluded from offering and establishing evidence and data that was and is directly pertient to the issues herein involved. Protestants sought to establish that the revenues produced by the eight cent downtown fare currently in effect was and is adequate to meet the current revenue needs of the respondent and that accordingly ipso facto any fare in excess of an eight cent fare would produce revenue over and above that needed. This evidence and testimony was precluded by the examiner under the alleged circumscription of the issues involved.

At such further hearing the protestants will introduce testimony and evidence which will show that the present revenues are sufficient and adequate to meet the respondent's bonded indebtedness requirements and other operating expenses and that any fare in excess of eight cents is unreasonable and improper in the premises.

Yours very truly, (Original signed) Charles Hershenstein, S. S. Eisen, For all New Jersey Protestants.

SSE. F. CC: All parties of record.

[fol. 639] HUDSON AND MANHATTAN EXHIBIT "3"

BEFORE THE INTERSTATE COMMERCE COMMISSION

No. 4394

Investigation and Suspension Docket

Passenger Fares of Hudson & Manhattan Railroad Company

PETITION OF HUDSON & MANHATTAN RAILROAD COMPANY FOR REOPENING OF THE PROCEEDINGS HEREIN, FOR FURTHER HEARING HEREIN, AND FOR LEAVE TO PUBLISH AND CHARGE A 10 CENT FARE BETWEEN HUDSON TERMINAL, NEW YORK CITY, AND STATIONS IN JERSEY CITY AND HOBOKEN, NEW JERSEY

Petitioner, Hudson & Manhattan Railroad Company, respectfully petitions the Commission for reopening of the proceedings herein, for further hearing herein, and for an order permitting petitioner to publish and charge a 10 cent fare between the station of petitioner at Hudson Terminal, New York City, and its stations in Jersey City and Hoboken, New Jersey. In support of this petition, petitioner respectfully shows to the Commission as follows:

I

On July 11, 1938, the Commission issued its report and order herein requiring petitioner to cancel the local passen-
[fol. 640] ger tariff which it had issued, published and

filed with the Commission establishing a 10 cent fare between Hudson Terminal and the stations of petitioner in Jersey City and Hoboken, and authorizing petitioner to establish an 8 cent fare between Hudson Terminal and such stations, which the Commission found in such report would be a maximum reasonable fare between Hudson Terminal and such stations (227 I. C. C. 741).

By a decree entered on October 9, 1940, a three-judge United States District Court in the District of New Jersey dismissed a complaint by petitioner seeking, in substance, to enjoin said order of the Commission, *Hudson & Manhattan Railroad Company* v. *United States*, 33 F. Supp. 495. On April 28, 1941, the Supreme Court of the United States affirmed such decree, *Hudson & Manhattan Railroad Company* v. *United States, et al.*, 313 U. S. 98.

II

On January 21, 1942, the Commission issued its order in *Ex Parte No. 148, Increased Railway Rates, Fares, and Charges, 1942*, authorizing the petitioning carriers therein to increase their then existing passenger fares by 10 per cent. Through mistake and without the knowledge, authority or approval of petitioner, its name was included in the list of petitioners in *Ex Parte No. 148*. The order of the Commission therein literally, therefore, permitted petitioner to increase its then existing passenger fares by 10 per cent. The then, and presently, existing passenger fares of petitioner were 8 cents between Hudson Terminal and its stations in Jersey City and Hoboken and 10 cents [fol. 641] between its stations on its uptown line in Manhattan and its stations in Jersey City and Hoboken. Petitioner might, therefore, pursuant to such order have published and charged a fare of 9 cents between Hudson Terminal and its New Jersey stations, and a fare of 11 cents between its uptown Manhattan and its New Jersey stations.

On February 18, 1942, petitioner, by letter addressed by the Chairman of its Board of Directors to Mr. Commissioner Porter, advised the Commission that petitioner had no intention of taking advantage of the technical opportunity to publish such fares of 9 cents and 11 cents, respectively, but that it would apply to the Commission for specific authority to increase to 10 cents its fare between Hudson Terminal and its stations in Jersey City

and Hoboken, since petitioner was convinced that such an increase was essential.

III

Aside from its unwillingness to take advantage of the purely technical opportunity to publish a 9 cent fare on its downtown line and an 11 cent fare on its uptown line, petitioner did not undertake to publish such fares for the following reasons:

(a) The petition in *Ex Parte No. 148* for leave to make a 10 per cent. increase in passenger fares purported to be based primarily upon the need of the carriers, parties thereto, for additional revenues to meet the cost of the increased wages of the employees of such carriers which resulted from the mediation settlement arranged by the President's Emergency Board acting as a Board of Media-
[fol. 642] tion as set forth in its supplementary report of December 5, 1941. The employees of petitioner were not parties to, or affected by, that settlement.

(b) The petition in *Ex Parte No. 148* specifically requested a maximum increase of 10 per cent. in passenger fares, and the order of the Commission therein had the effect of a finding that passenger fares so increased would constitute maximum reasonable fares for the petitioning carriers.

(c) Petitioner was, and is, of the opinion that, if its 8 cent fare on its downtown line and its 10 cent fare on its uptown line should be increased by 10 per cent., such fares so increased would neither constitute maximum reasonable fares for petitioner nor would they afford petitioner the additional revenues necessary to meet its increased operating expenses and taxes and to pay current interest on its bonded indebtedness.

(d) Petitioner was, and is, further of the opinion not only that an increase of fare on its downtown line to 9 cents and on its uptown line to 11 cents would not produce such additional revenues required by petitioner, but that an increase of the fare on its donwtown line to 10 cents would be the only practicable means of affording petitioner any reasonable possibility of obtaining such additional revenues.

(e) Petitioner was, and is, also of the opinion that the difficulties of collecting fares of 9 cents and 11 cents, with the existing fare collecting facilities of petitioner, render [fol. 643] such fares impractical in that it is probable that petitioner would, in many instances, be unable actually to collect such fares in full.

(f) Petitioner was, and is, also of the opinion that the respective services rendered on its downtown line and on its uptown line do not justify any difference in fare on such lines.

(g) Finally, petitioner was, and is, of the opinion that a 10 cent fare on its downtown line should enable petitioner to obtain from The Pennsylvania Railroad Company a division of the joint fare between Newark and Hudson Terminal on the joint rapid transit service of petitioner and that Company not less than the division which petitioner obtains of the joint fare on such service between Newark and points on the uptown line of petitioner, instead of its present division of 7.64 cents of the joint fare on such service between Newark and Hudson Terminal.

IV

This Commission in its report herein found that petitioner then needed approximately $1,000,000 additional gross revenues annually in order merely to pay increased railway operating expenses, increased taxes and current interest on its bonded indebtedness, excluding any payment of cumulative interest in arrears on its Adjustment Income Bonds and of dividends. The Commission also found in such report that compared with other fares which were generally used by commutation passengers between the New York commuting area and downtown Manhattan, especially [fol. 644] from and to New Jersey points, the fare of 10 cents on its downtown line then proposed by petitioner would be unreasonable and that a fare of 8 cents on such line would be a maximum reasonable fare; that the revenue results to petitioner, especially over an extended period of time, would be more favorable under an 8 cent fare than under a 10 cent fare on its downtown line; that the establishment of an 8 cent fare would result in a diversion of 15 per cent of the traffic moving on that line; and that, under such a fare on its downtown line, petitioner would earn net

income for the year 1938 of about $2,260,817. This amount was approximately $541,000 less than the amount which the Commission found to be necessary to enable petitioner merely to pay increased operating expenses, increased taxes and current interest on its bonded indebtedness.

The Commission also stated in such report that, if petitioner "should feel impelled to seek a further increase in revenue, it should consider doing so on interline traffic", that is, on its joint rapid transit service with The Pennsylvania Railroad Company.

V

Petitioner will, if accorded reopening and further hearing of these proceedings, present additional evidence which will show that conditions have changed substantially since February, 1938, when the hearing herein was had upon which the order of the Commission herein is based; that a fare of 8 cents on the downtown line of petitioner is not now a maximum reasonable fare; that a 10 cent fare on such [fol. 645] downtown line is not, and will not be for the future, in excess of a maximum reasonable fare; that a 10 cent fare on such downtown line would yield higher revenues to petitioner than its present 8 cent fare on such line; and that a 10 cent fare on such downtown line is necessary to enable petitioner to continue to provide, in the public interest, adequate and efficient railway transportation service and to afford petitioner any reasonable possibility of obtaining the additional gross revenues necessary to enable it to pay its further increased operating expenses and taxes and its current interest on its bonded indebtedness. Such evidence will be in substance as hereinafter stated.

VI

A 10 cent fare on the downtown line of petitioner is not, and will not be, in excess of a maximum reasonable fare, tested by generally accepted standards for determining maximum reasonable fares, including comparison with fares generally used by commutation passengers between the New York commuting area and downtown Manhattan, especially from and to New Jersey points, as such fares have been increased by the recent order of the Commission in *Ex Parte No. 148*.

VII

The net income from railroad operations of petitioner for the year 1941 was $892,148.32 short of the amount needed by petitioner to enable it to meet merely its current interest requirements on its bonded indebtedness allocated [fol. 646] to its railroad operations on the basis approved by the Commission in its reports herein,* exclusive of any amount for payment of accrued interest in arrears on its Adjustment Income Bonds or for payment of any dividends upon its outstanding stock.

Beginning with the year in which the 8 cent fare was established on the downtown line of petitioner, the amount by which the net income from railroad operations of petitioner available for current bond interest in each year, respectively, was insufficient to meet such interest in such year was as follows:

1938	$1,113,749.83**
1939	$ 806,048.05
1940	$ 817,424.09
1941	$ 892,148.32

The accrued and unpaid interest due on the Adjustment Income Bonds of petitioner as of December 31, 1941, was $5,494,727.09, compared with an amount of such accrued and unpaid interest due as of December 31, 1937, of $2,118,746.80.

VIII

The total railway operating expenses of petitioner for 1941 as compared with 1937 increased 6.73 per cent, despite a decrease of 5.27 per cent in total car miles operated in 1941 under 1937. Included in such increased operating ex- [fol. 647] penses in 1941 over 1937 was an increase of 12 per cent in labor costs.

Moreover, while the total number of passengers carried by petitioner in 1941 was 15.57 per cent less than in 1937, ex-

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* References hereinafter made to the interest requirements of petitioner are confined to interest on that portion of its bonded indebtedness so allocable to its railroad operations.

** The 8 cent fare on the downtown line of petitioner was established on July 25, 1938.

penses for materials and supplies and operating expenses, other than labor, were only 1.45 per cent less in 1941 than in 1937.

In addition, the taxes paid by petitioner for 1941 increased 8.45 per cent over 1937.

IX

The further loss of traffic by petitioner in the period 1938-1941, inclusive, has been due in part to a continuance of the same general factors which the Commission found in its report in these proceedings accounted for its loss of traffic in the period 1929-1937, inclusive: continuing economic depression and continuing loss in rail traffic generally, particularly by rail carriers serving the New York City-New Jersey commutation area, and increased competition of private automobiles and of motor buses using the various trans-Hudson facilities, particularly the George Washington Bridge and the Lincoln and Holland Tunnels.

Passengers in private cars using such trans-Hudson facilities increased from 63,133,000 in 1937 to 72,622,000 in 1940, while passengers in buses using such facilities increased from 19,407,000 in 1937 to 32,213,000 in 1940. In neither instance are the 1941 figures available, but preliminary estimates indicate that during 1941 there was a continuing increase in passengers in both private cars and buses using such facilities.

[fol. 648] Two additional factors not present in 1937 also contributed to such loss of traffic by petitioner in the period 1938-1941, inclusive:

1. The closing of the Thirty-third Street station of petitioner for the period between December 25, 1937, and September 24, 1939. This was necessitated by the construction by the City of New York of the Sixth Avenue subway line and resulted in a loss of traffic on the uptown line of petitioner.

2. The diversion of traffic from the downtown line of petitioner immediately following the increase of fare from 6 cents to 8 cents on July 25, 1938. This diversion amounted to approximately 16.5 per cent of the then existing traffic on such downtown line.

Such loss of traffic has taken place despite the fact that the traffic of petitioner was augmented, particularly on its

uptown line, in the years 1939 and 1940 during the periods that the World's Fair was open and despite the further fact that the joint traffic of petitioner with The Pennsylvania Railroad Company between Newark and Hudson Terminal has increased since the latter part of 1940.

X

As a result of the fare of 8 cents on its downtown line, petitioner earned in 1941 approximately $236,210 additional gross revenues over what petitioner would have earned under a 6 cent fare during the same period, assuming that under a 6 cent fare there would not have been the diversion [fol. 649] of traffic which was incident to the increase to an 8 cent fare.

XI

Petitioner would earn greater revenues under a 10 cent fare than under an 8 cent fare on its downtown line, based on the 1941 traffic of petitioner unless the diversion in traffic on such downtown line resulting from such a 2 cent increase in fare should exceed 20 per cent.

XII

An increase from 8 cents to 10 cents in the fare on the downtown line of petitioner would not result in a diversion in traffic on such downtown line in excess of 12 per cent, based on the 1941 traffic of petitioner.

XIII

An increase from 8 cents to 10 cents in the fare on the downtown line of petitioner would not result in any substantial diversion of any new traffic on such line which has been acquired, and may hereafter be acquired, as a result of the changed conditions since 1941 hereinafter specified.

XIV

Based on the 1941 traffic of petitioner, a fare of 10 cents on the downtown line of petitioner would increase the net income of petitioner from railroad operations by approximately $292,000 per annum, even assuming a diversion of 12 per cent in traffic on such downtown line. That would still leave petitioner with a deficit of approximately $600,000 per annum under current bond interest requirements, with-

[fol. 650] out taking into account either additional revenues which may result from increased traffic under the changed conditions since 1941 or any increased operating costs which may be caused by increases in rates of pay of employees, in unit prices of materials and supplies, or in taxes.

XV

The total traffic of petitioner in 1942 through June 30, 1942, excluding the last five days of April during which abnormal conditions obtained,* has shown an increase of approximately 8.45 per cent over such traffic for the corresponding period of 1941.

XVI

Such increase in traffic in 1942 over the corresponding period in 1941 has been due principally to the following factors:

1. The establishment and expansion of plants engaged in war industry and of government cantonments in territory in New Jersey served by, or tributary to, the lines of petitioner.

2. The increase in office population in downtown Manhattan, which has been due to the establishment and expansion of offices by companies engaged in war industry and by agencies of the government, and to travel between such offices and such plants and government cantonments in New Jersey.

[fol. 651] 3. Increasing travel by war industry workers and military and naval personnel stationed in New Jersey to and from Manhattan shopping and amusement centers, and of civilian visitors from Manhattan and adjacent territory to and from government cantonments in New Jersey.

4. Decreasing competition of private cars using trans-Hudson facilities, because of governmental restrictions on the purchase of gasoline, tires and cars.

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* Beginning April 26, 1942, the traffic of petitioner was disrupted as a result of a derailment on that date at its Exchange Place Station.

XVII

Unless the fare on the downtown line of petitioner be increased from 8 cents to 10 cents, the total traffic of petitioner would have to increase approximately 20 per cent. over its total traffic for the year 1941 in order for petitioner merely to meet its current bond interest requirements, assuming that there should not be any increase in rates of pay [fol. 652] of employees,* in unit prices of materials and supplies, or in taxes. Despite the increase in the total traffic of petitioner during the current year as a result of the abnormal conditions just specified, the probability is remote that, even during the continuance of such abnormal conditions, the traffic of petitioner will increase by as much as 20 per cent. over such traffic in 1941.

XVIII

Even with a 10 cent fare on the downtown line of petitioner, its total traffic would have to increase 12 per cent. over its total traffic for the year 1941 in order for petitioner to earn its current bond interest requirements, assuming

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* Demands have been made by groups of carrier employees of petitioner, constituting approximately 72 per cent. of all such employees, for increases in rates of pay and changes in working conditions, with respect to which petitioner was unable to agree with the representatives of the employees on behalf of whom such demands were made. The demands of approximately 70 per cent. of such carrier employees are now pending before the National Mediation Board. The increases in rates of pay and changes in working conditions so demanded by such groups constituting approximately 72 per cent. of such employees, on the basis of 1941 operations, would amount to an average increase in the total payroll costs of petitioner for such employees of 23 per cent., which would aggregate $328,300 per annum. If the remaining 28 per cent. of all such carrier employees should demand increases in rates of pay and changes in working conditions which would likewise amount to an increase of 23 per cent. of the total payroll costs of petitioner for such employees, the demands of all the carrier employees of petitioner, on the basis of 1941 operations, would represent an increase of $476,000 per annum in the total payroll costs of petitioner.

that there should not be any increase in rates of pay of employees, in unit prices of materials and supplies, or in taxes. Petitioner believes and alleges that there is a reasonable probability that its total traffic may increase within a reasonable period to an extent sufficient, with a 10 cent fare on its downtown line, to enable petitioner to meet its current bond interest requirements.

XIX

If, after the establishment of a 10 cent fare on its downtown line, petitioner should obtain from The Pennsylvania Railroad Company a division of the joint fare between Newark and Hudson Terminal on the joint rapid transit service of petitioner and that Company of 8.64 cents, which is the division which petitioner now obtains of the joint fare between Newark and points on the uptown line of peti- [fol. 653] tioner, the increased revenues to the petitioner, on the basis of 1941 traffic, would be only $113,541. Such an increase of revenues obviously would be inadequate in itself to permit petitioner to meet its current interest requirements on its bonded indebtedness. Even with the additional revenues which would result from an increase in the fare on the downtown line of petitioner to 10 cents and an increase of 12 per cent. in the total traffic of petitioner over its total traffic in 1941, the additional revenues which petitioner would receive from such an increased division of the joint fare between Newark and Hudson Terminal, including any additional revenues which reasonably may be expected from an increase in the traffic between those points, would at best afford petitioner merely the possibilty that over a long period of time it might gradually reduce the amount of accrued and unpaid interest due on its Adjustment Income Bonds.

XX

There are contained in a supplement to this petition, and hereby made a part hereof, nine exhibits marked Exhibits Nos. 5-R, 25-R, 26-R, 27-R, 28-R, 30-R, and 36-R, respectively, and Exhibits A and B, respectively. Such exhibits contain the basic statistical information upon which the foregoing allegations of this petition are made.

XXI

Petitioner has not earlier sought the relief asked in this petition for the following reasons:

The questions raised by petitioner in the litigation instituted by it as to the validity of the order made by the Com- [fol. 654] mission herein on July 11, 1938, were not finally determined until the decision of the Supreme Court of the United States on April 28, 1941. At that time the 8 cent fare which the Commission had found in its report herein would be a maximum reasonable fare on the downtown line of petitioner had been in effect for a period of approximately 21 months or several months longer than the 18 month period which the Commission in its report in *Ex Parte No. 123, Eastern Passenger Fares in Coaches* (227 I. C. C. 685), allowed as a reasonable trial period within which to determine whether the 2.5 cent passenger fares there allowed would produce better gross revenues than the previously prescribed 2 cent fares. Although, as the Commission in its report herein had specifically found would be the case, it was apparent that under the 8 cent fare in effect on its downtown line petitioner would not earn, on its then traffic, the additional gross revenues which the Commission had found in such report to be necessary in order to permit petitioner merely to meet current interest requirements on its bonded indebtedness, petitioner hoped that improved economic conditions might result in a sufficient increase in such traffic to permit it to earn such revenues. Such an increase in the traffic of petitioner did not occur. Petitioner has been unable, however, since July, 1941, to present to the Commission an accurate estimate of the amount of additional gross revenues needed by it to enable it to meet its current interest requirements on its bonded indebtedness, because in that month the New Jersey railroad tax law of 1941 was enacted, providing for the assessment against petitioner and other short line railroads [fol. 655] in New Jersey of heavily increased taxes payable to the State of New Jersey, and because almost immediately thereafter consideration was given by legislative authorities of New Jersey to proposals for amendment of such law in such a way as to reduce the amount of such heavily increased taxes. It was obvious that the future revenue needs of petitioner would of necessity be substantially affected

by the disposition made by the Legislature of New Jersey of such proposals. The due date of a portion of the taxes payable for 1941 under such law was postponed from time to time, but permanent remedial legislation was not enacted until May 8, 1942. Thereafter, a portion of the taxes payable by petitioner to the State of New Jersey for the year 1941 was retroactively assessed against petitioner on May 22, 1942. Accordingly, petitioner has not been in position until very recently to place before the Commission a reliable estimate of the additional revenues which would be needed by it in order to meet the current interest requirements on its bonded indebtednes, on the basis of its reeent operations.

Petitioner, consequently, has been forced to postpone the filing of this petition and thereby to forego the possibility of increaesd revenues which would have resulted from an increase in the fare on its downtown line.

XXII

Upon the basis of the facts set forth in the foregoing allegations of this petition, petitioner respectfully submits that:

[fol. 656] 1. It is essential that petitioner promptly obtain the increased gross revenues which will result from an increase in the fare on its downtown line to 10 cents in order that petitioner, without further delay, may have at least a reasonable possibility of meeting the current interest on its bonded indebtedness after providing the public with adequate and efficient railway transportation service, since, despite the increase which reasonably may be expected in the total traffic of petitioner, such additional gross revenues cannot be obtained except by the establishment of a fare of 10 cents on its downtown line.

2. The Commission should accord petitioner an expeditious disposition of this petition and of any hearing thereon.

3. In view of the fact that petitioner has submitted in exhibit form as a part of this petition the basic statistical information upon which the allegations of this petition are made, these proceedings, upon the reopening thereof, may properly be assigned for further hearing within thirty days from the date of the filing of this petition, without

depriving any party hereto of an adequate opportunity to meet the issues presented.

4. Upon proof at such hearing of the facts set forth in this petition, the Commission should issue an order herein permitting petitioner to publish and charge, upon short notice to the Commission and to the general public, a 10 cent fare between the station of petitioner at Hudson Terminal and its stations in Jersey City and Hoboken.

[fol. 657] Wherefore petitioner prays that the proceedings herein be reopened, that a further hearing herein be granted at the earliest practicable date and not exceeding, if possible, thirty days from the date of the filing of this petition, and that the Commission make and enter an order herein permitting petitioner to publish and charge a 10 cent fare between the station of petitioner at Hudson Terminal, New York City, and its stations in Jersey City and Hoboken, New Jersey.

Dated: June 27th, 1942.

Respectfully submitted, John E. Buck, E. Fontaine Broun, John F. Finerty, Attorneys for Petitioner, 30 Church Street, New York, N. Y.

Cravath, de Gersdorff, Swaine & Wood, 15 Broad Street, New York, N. Y., of Counsel.

[fols. 658-659] CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document, together with the supplement thereto, upon all parties of record in these proceedings, by mailing a copy thereof, together with such supplement, properly addressed to each party of record.

Dated at New York, N. Y., this 27th day of June, 1942.

John F. Finerty.

[fol. 660] HUDSON AND MANHATTAN EXHIBIT "4"

BEFORE THE INTERSTATE COMMERCE COMMISSION

I. & S. Docket No. 4394

PASSENGER FARES OF HUDSON & MANHATTAN RAILROAD COMPANY

Reply of City of Jersey City, New Jersey, Protestant, to Petition of Hudson & Manhattan Railroad Company for Reopening of the Proceedings Herein, for Further Hearing Herein, and for Leave to Publish and Charge a 10-Cent Fare Between Hudson Terminal, New York City, and Stations in Jersey City and Hoboken, New Jersey

Comes now protestant, City of Jersey City, New Jersey, and respectfully requests the Commission to deny the petition of the Hudson & Manhattan Railroad Company, respondent, for reopening of the proceedings herein, for further hearing herein, and for leave to publish and charge a 10-cent fare between the station of petitioner at Hudson Terminal, New York City, and its stations in Jersey City and Hoboken, New Jersey. Protestant respectfully submits that the petition is without merit in fact or law.

The action and decree of the Interstate Commerce Commission fixing 8 cents as a maximum reasonable fare (227 I. C. C. 741) was unanimously affirmed by the Supreme Court of the United States, *Hudson & Manhattan Railroad* v. *United States, et al.*, 213 U. S. 98. No grounds for reversal or reconsideration of the action and decree of the Interstate Commerce Commission have been demonstrated by the petitioner, Hudson and Manhattan Railroad Company.

[fol. 661] I

In seeking a fare of 10 cents, petitioner proposes an increase of 25 per cent in the present fare, this despite the fact that petitioner was not required to increase the wages of its employees, as a result of the mediation settlement arranged by the President's Emergency Board acting as a Board of Mediation, in December, 1941. Petitioner has very carefully and successfully maintained its status as an electric interurban carrier, similar in operation to the New York City subway system.

II

Petitioner states, III (c), (d), (e) and (f), that the services on its downtown and uptown lines justify a uniform fare of 10 cents for application on both lines. The measure of service rendered, respectively, on the uptown and downtown lines in no way has changed since the Commission, in two separate proceedings, found sufficient difference in the services to require that the fare on the downtown line should not be so great as that on the uptown line (58 I. C. C. 270 and 227 I. C. C. 741).

III

The Commission, in its report in this proceeding, specifically stated that

> "If respondent should feel impelled to seek a further increase in revenue, it should consider doing so on interline traffic (that is, on its joint rapid transit service with the Pennsylvania Railroad)."

[fol. 662] Nowhere in the petition of the petitioner is there any indication that it has followed this admonition of the Commission. Indeed, it is worthy of note that almost three years have elapsed since the Commission expressed its views, yet petitioner is here seeking "a further increase in revenue" without having resorted to the recourse suggested by the Commission. The Commission may well take judicial notice of the currently enormous increase in railroad passenger transportation. It must be obvious that the Hudson & Manhattan Railroad, in New York City, is today, more than ever before, a necessary auxiliary to Pennsylvania Railroad transportation service.

IV

In III (g), petitioner makes the following statement:

> "(g) Finally, the petitioner was, and is, of the opinion that a 10 cent fare on its downtown line should enable petitioner to obtain from The Pennsylvania Railroad Company a division of the joint fare between Newark and Hudson Terminal on the joint rapid transit service of petitioner and that Company not less than the division which petitioner obtains of the joint fare

on such service between Newark and points on the uptown line of petitioner, instead of its present division of 7.64 cents of the joint fare on such service between Newark and Hudson Terminal."

We respectfully submit that petitioner is in error in assuming that the divisions of the joint fares necessarily must be controlled by the measure of local fares. Secondly, petitioner assumes that a more favorable divisional set-up would be limited to the downtown line. Probably with greater justification, authority and merit, petitioner should [fol. 663] improve its revenue position by an adjustment of the present division of the joint fares on its uptown service.

The service that petitioner performs for the Pennsylvania Railroad definitely differs from its local performance. Other means of transportation are available locally, as petitioner has well pointed out, but the joint service with the Pennsylvania Railroad must be continued just so long as the saturation point exists at Pennsylvania Station.

One of the fundamental questions presented to the Commission is whether or not the local patrons, resident in Jersey City, are to support the Hudson & Manhattan Railroad in its entirety, when it is well known that this property, and particularly its uptown line, is being maintained for the Pennsylvania Railroad. Those passengers of this latter carrier who insists upon using the Pennsylvania Railroad pay a surcharge for such privilege. *Davis* v. *Pennsylvania R. Co.*, 226 I. C. C. 723. This deterrent diverts substantial Pennsylvania Railroad passenger traffic to the Hudson & Manhattan Railroad. *The Pennsylvania Railroad has received an increase of* 10 *per cent in its passenger fares, including those to and from Hudson & Manhattan Railroad Stations, but apparently the Hudson & Manhattan Railroad has not benefited thereby.* On the contrary, it still persistently seeks to exact from the people of Jersey City an increase in local fares, of 25 per cent.

Denial, by the Commission, of the present application for increased fares should well be construed as a reiteration of the Commission's admonition of July 11, 1938, to the effect that, if petitioner "should feel impelled to seek a further increase in revenue, it should consider doing so on interline traffic."

[fol. 664]

V

In support of its application for increased fares (IX), petitioner refers to

> "the continuing economic depression and continuing loss of rail traffic generally, particularly by rail carriers serving the New York City-New Jersey commutation area, and increased competition of private automobiles and of motor buses using the various trans-Hudson facilities, particularly the George Washington Bridge and the Lincoln and Holland Tunnels."

Had the above statement been made prior to Pearl Harbor, the language may have been appropriate; but surely, in this year of 1942, with its gas rationing and dearth of rubber, the facts are to the contrary. Rail traffic is at a peak and private automobile service is being rapidly reduced to a minimum. Additionally, the Central Railroad of New Jersey and the Erie Railroad have wholly abandoned their cross-Hudson uptown ferry services. The principal means of transportation available to both the suburban and non-suburban uptown passenger traffic of these carriers is by use of the facilities of the respondent. The Central Railroad of New Jersey's 23rd Street service ceased in October, 1941, and abandonment of that of the Erie Railroad was authorized by the Commission as of July 3, 1942. (See Finance Dockets Nos. 13351 and 13569.) Incidentally, this new passenger patronage will move at full local fare of 10 cents on the uptown line, and thus will be in excess of the revenues accruing to the petitioner from its Pennsylvania Railroad passenger traffic.

[fol. 665] The volume of petitioner's passenger service is being further augmented by a definite industrial pick-up in the area served by the Hudson & Manhattan Railroad. In lower Manhattan, there has been a substantial increase in office population and, balancing this, northern New Jersey has had a tremendous expansion of plants engaged in war industry.

VI

The time available to protestant, under the Rules of Practice, is not sufficient to permit exhaustive analysis of petitioner's traffic and revenues. Furthermore, these reflect

a pre-war period and thus are not representative of present conditions. More important, the failure of the petitioner to seek increased revenue from its joint rapid transit service with the Pennsylvania Railroad in line with the Commission's admonition of July 11, 1938, should be sufficient to deny the petition for re-opening and the application for an increase in fare.

The petition for re-opening and further hearing and the application for an increase in fares should be denied.

Respectfully submitted, Charles A. Rooney, Milton P. Bauman, For Protestant.

Charles Hershenstein, of Counsel.

[fol. 666] CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties to this proceeding, by mailing a copy thereof, with postage prepaid, to each party of record.

Dated at Jersey City, N. J., this — day of July, 1942.

Milton P. Bauman, for Protestant.

[fol. 667] HUDSON AND MANHATTAN EXHIBIT "6"

October 17, 1942

Honorable W. P. Bartel
Secretary
Interstate Commerce Commission
Washington, D. C.

Re: Passenger fares of Hudson & Manhattan Railroad Company, Investigation and Suspension Docket No. 4394.

MY DEAR MR. BARTEL:

By order of October 14, 1942, the Director of Economic Stabilization designated the Price Administrator of the Office of Price Administration "as the representative of the Director of the Economic Stabilization to receive notices of increases in common carrier or other public utility rates and charges," and to do other things necessary to effectuate the provisions of Paragraph 4 of Title

VI of Executive Order No. 9250 and of Section 1 of the Act of October 2, 1942 (Public Law 729, 77th Cong. 2nd Sess.).

As far as we can determine, the Hudson & Manhattan Railroad Company has not given the Director of Economic Stabilization, or his designated representative, notice of the proposed increase in rates and charges, nor, insofar as the Director is informed, has it given its consent to his timely intervention in the proceeding before this Commission at the above entitled docket, as required by said Act of October 2, 1942.

In consideration of the foregoing facts, and without waiving any right which the Director of Economic Stabilization may have to intervene or request reopening of this proceeding, it is requested that we be granted thirty days from the date of receipt of the notice required by said Act of October 2, 1942, in which to file a brief on behalf of the Director of Economic Stabilization.

Very truly yours, Harry R. Booth, Utilities Counsel, Legal Division, Office of Price Administration.

cc: J. E. Buck, General Counsel, Hudson & Manhattan Railroad Co.

[fol. 668] HUDSON AND MANHATTAN EXHIBIT "7"

To the Price Administrator of the Office of Price Administration, as representative of the Director of Economic Stabilization under Directive No. 1 of the Office of Economic Stabilization:

Hudson & Manhattan Railroad Company, a common carrier, hereby gives you notice that there is pending before the Interstate Commerce Commission a proceeding known as "Investigation and Suspension Docket No. 4394, Passenger Fares of Hudson & Manhattan Railroad Company," which was initiated by an order of said Commission made August 17, 1937, and reopened by an order of said Commission made July 13, 1942, and in which proceeding said Hudson & Manhattan Railroad Company seeks an order of said Commission authorizing it to publish and charge a 10 cent charge or fare between the station of said Company at Hudson Terminal, New York, New York, and its stations in Jersey City and Hoboken, New Jersey, which proposed

charge or fare, if authorized, would represent an increase over the 8 cent charge or fare now in effect between said stations of said Company, Hudson & Manhattan Railroad Company hereby consents to the timely intervention by you before the Interstate Commerce Commission in such proceeding.

Such notice and consent are given without prejudice to the position of Hudson & Manhattan Railroad Company that nothing in the Act of October 2, 1942 (Pub. Law 729, 77th Cong.), "An Act to amend the Emergency Price Con-
[fol. 669] trol Act of 1942, to aid in preventing inflation, and for other purposes," and nothing in Executive Order No. 9250 of October 3, 1942, requires said Company to give such notice to you or to consent to such intervention by you, or entitles you to such notice or authorizes your intervention in said proceeding.

Hudson & Manhattan Railroad Company, by Walter F. Brown, Chairman of the Board.

November 9, 1942.

John E. Buck, E. Fontaine Brown, John F. Finerty, Cravath, deGersdorff, Swaine & Wood, of Counsel.

Service of the foregoing notice and consent is hereby acknowledged.

——— ———, Price Administrator of the Office of Price Administration, as representative of the Director of Economic Stabilization under Directive No. 1 of the Office of Economic Stabilization.

November —, 1942.

[fol. 670] HUDSON AND MANHATTAN EXHIBIT "11"

Investigation and Suspension Docket No. 4394

Passenger Fares—Hudson & Manhattan Railroad

STIPULATION

Whereas the hearings and taking of testimony in the captioned proceeding were concluded on September 19, 1942, and

Whereas the parties hereto have agreed to supplement or otherwise bring the record up to date to the extent of

showing the total patronage and revenues of the Hudson & Manhattan Railroad for the months of January and February, 1943,

Now therefore the parties hereto stipulate that the following Hudson & Manhattan Railroad figures and revenues should be incorporated into the record and made a part hereof:

	Total Number Passengers	Total Revenue
January, 1943	7,012,492	$577,342.66
February, 1943	6,591,481	$543,554.38

Hudson & Manhattan Railroad Company (original signed) by John F. Finerty, New Jersey Protestants. By S. S. Eisen, Office of Price Administration. By Harry R. Booth.

April 20, 1943.

[fol. 671] Interstate Commerce Commission Exhibit "1"

Order

Interstate Commerce Commission

Docket No. 4394

Investigation and Suspension

Passenger Fares of Hudson & Manhattan Railroad Company

Present: Claude R. Porter, Commissioner, to whom the above entitled matter has been assigned for action thereon.

Upon further consideration of the record in the above-entitled proceeding and the request of the Office of Price Administration for leave to file a brief therein on behalf of the Director of Economic Stabilization:

It is ordered, that the Director of Economic Stabilization or his designated representative, the Price Administrator of the Office of Price Administration be, and he is hereby, authorized to intervene in the above-entitled pro-

ceeding and to file a brief therein on or before December 9, 1942.

Dated at Washington, D. C., this 13th day of November, A. D. 1942.

A true copy.

By the Commission, Commissioner Porter.

W. P. Bartel, Secretary of the Interstate Commerce Commission. (Seal.)

[fol. 672] INTERSTATE COMMERCE COMMISSION EXHIBIT "2"

ORDER

At a General Session of the Interstate Commerce Commission, held at its office in Washington, D. C., on the 13th day of July, A. D. 1942.

Docket No. 4394

INVESTIGATION AND SUSPENSION

Passenger Fares of Hudson & Manhattan Railroad Company

Upon consideration of petition of respondent Hudson & Manhattan Railroad Company for reopening, for further hearing, etc., and of the replies thereto; and upon further consideration of the record in the above-entitled proceeding:

It is ordered, that this proceeding be, and it is hereby, reopened for further hearing at such time and place to be hereafter fixed.

By the Commission:

A true copy.

W. P. Bartel, Secretary of the Interstate Commerce Commission. (Seal.)

[fol. 673] SUPREME COURT OF THE UNITED STATES

STATEMENT OF POINTS ON WHICH APPELLANTS INTEND TO RELY AND DESIGNATION OF PARTS OF RECORD TO BE PRINTED—Filed March 18, 1944

Appellants Interstate Commerce Commission and Hudson & Manhattan Railroad Company, for their statement of the points on which they intend to rely on their joint appeal to this Court from the final decree granting a permanent injunction entered by the District Court of the United States for the District of New Jersey on January 14, 1944, hereby adopt the points contained in their Assignment of Errors dated February 9, 1944, heretofore filed herein.

* * * * * * *

[fol. 673a] Designation of Parts of Record to Be Printed

Original complaint, filed September 13, 1943, (omitting therefrom Exhibits 1 to 5, inclusive, attached thereto).

Order convening statutory court and setting case for hearing on September 21, 1943, on application for interlocutory injunction based on original complaint, filed September 14, 1943.

Answer of Interstate Commerce Commission to original complaint, filed September 25, 1943.

Motion by plaintiff for leave to file amended complaint, filed November 18, 1943 (omitting therefrom the amended complaint attached thereto).

Order of Court granting plaintiff leave to file amended complaint, filed November 18, 1943.

Amended complaint filed November 18, 1943 (omitting therefrom Exhibits 1 to 7, inclusive, attached thereto).

[fol. 673b] Motion for leave to file petition for leave to intervene by OPA and Director of Economic Stabilization, filed November 19, 1943 (omitting therefrom the petition for leave to intervene attached thereto).

Petition for leave to intervene by OPA and Director of Economic Stabilization, filed November 19, 1943 (omitting therefrom Exhibit A attached thereto).

Order of Court granting petition for leave to intervene by OPA and Director of Economic Stabilization, filed November 24, 1943.

Answer of Hudson & Manhattan Railroad Company to amended complaint, filed December 6, 1943 (omitting therefrom Exhibits A and C attached thereto).

Answer of Interstate Commerce Commission to amended complaint, filed December 1, 1943.

Answer of United States of America to amended complaint, filed November 24, 1943.

Answer of Hudson & Manhattan Railroad Company to petition of OPA and Director of Economic Stabilization, filed December 9, 1943.

Answer of Interstate Commerce Commission to intervening petition of OPA and Director of Economic Stabilization, filed December 4, 1943.

Amended answer of Interstate Commerce Commission to amended complaint and to intervening petition, filed December 11, 1943.

Affidavit of Walter F. Brown, dated November 24, 1943.

Affidavit of Arthur Potterton, dated November 26, 1943.

Per curiam opinion on interlocutory injunction, dated November 26, 1943.

Findings of Court and order, dated November 26, 1943.

[fol. 673c] Transcript of hearing before three-judge court, December 14, 1943, on application for permanent injunction.

Opinion of Court with respect to permanent injunction, filed January 12, 1944.

Findings of Fact and Conclusions of Law with respect to permanent injunction, entered by Court on January 12, 1944.

Final decree granting permanent injunction, dated January 14, 1944.

Notice of appeal of defendants Interstate Commerce Commission and Hudson & Manhattan Railroad Company from permanent injunction.

Petition for appeal of defendants Interstate Commerce Commission and Hudson & Manhattan Railroad Company from permanent injunction, filed February 9, 1944.

Assignments of Error of defendants Interstate Commerce Commission and Hudson & Manhattan Railroad Company, filed February 9, 1944.

Order allowing appeal of defendants Interstate Commerce Commission and Hudson & Manhattan Railroad

Company from permanent injunction, filed February 9, 1944.

Notice to Attorney General of State of New Jersey.

Order of Judge Meaney, dated February 9, 1944, directing the Clerk to transmit original record to Supreme Court of the United States.

Praecipe for consolidated transcript of record (including stipulation of parties with respect thereto).

All docket entries in their appropriate order.

Appellants further state that the originals of the documents identified in appellants' Praecipe for Consolidated Transcript of Record as Exhibits P-1 to P-9, inclusive, Intervenor's Exhibits 1 to 4, inclusive, Exhibits for H & M D-1 to D-11, inclusive, and Exhibits for I.C.C. D-1 to D-3, inclusive, as filed of record with the District Court of the United States for the District of New Jersey and which have been transmitted to and filed with this Court as origi-[fol. 673d]-nal exhibits, pursuant to the order of said District Court dated February 9, 1944, are necessary for the consideration of the points on which appellants intend to rely on their respective appeals.

Appellants understand, however, that since said District Court, under the authority of Section 47a of Title 28, U.S.C. (Jud. Code 210), has transmitted said Exhibits to this Court on appeal, as part of the original record before said District Court, under the practice of this Court said Exhibits are before this Court for all purposes, and that it is unnecessary for appellants or any other party to designate said Exhibits or any of them for printing, either to insure the consideration of said Exhibits by this Court or to enable appellants or any other parties to print or refer to said Exhibits or any part thereof on brief and argument, as fully as if said Exhibits were designated for printing.

Appellants and appellees, however, believe that it will serve the convenience of this Court, as well as of the parties, to have certain of said Exhibits designated for printing. Accordingly, they have entered into a stipulation, which is being filed herewith, for the printing of certain of said Exhibits, and for the right of all parties on brief and argument to rely upon and to refer to those Exhibits not designated for printing, as fully as if the same were so designated.

In accordance with such stipulation, the appellants designate all of the following Exhibits for printing:

Plaintiff's Exhibit	P-2
" "	P-3
" "	P-4
" "	P-5
" "	P-6
" "	P-7
" "	P-8

[fol. 673e]

Intervenor's Exhibit	1
" "	2
" "	3
H & M Exhibit	D-1
" "	D-2
" "	D-3
" "	D-4
" "	D-6
" "	D-7
" "	D-11
I.C.C. Exhibit	D-1
" "	D-2

In accordance with such stipulation, the appellants also designate for printing:

(a) The within Statement of Points on Which Appellants Intend to Rely and Designation of Parts of Record to Be Printed; and

(b) The Stipulation with Respect to Printing of Record, etc. (including Schedule A thereto), dated March 17, 1944, between counsel for the appellants and counsel for the appellees, filed herewith.

Dated March 17, 1944.

Daniel W. Knowlton, Chief Counsel; E. M. Reidy, Assistant Chief Counsel for Appellant Interstate Commerce Commission; John F. Finerty, Counsel for Appellant, Hudson & Manhattan Railroad Company.

[fol. 673f] Service of the foregoing Statement of Points on Which Appellants Intend to Rely and Designation of

Parts of Record to be Printed is hereby accepted, and the receipt of a copy thereof is hereby acknowledged, this 17th day of March, 1944.

Chas. G. Hershenstein, Counsel for Appellee, City of Jersey City.

Service of the foregoing Statement of Points on Which Appellants Intend to Rely and Designation of Parts of Record to be Printed is hereby accepted, and the receipt of a copy thereof is hereby acknowledged, this 20th day of March, 1944.

Richard H. Field, Acting General Counsel; David F. Cavers, Assistant General Counsel; Harry R. Booth, Utilities Counsel; Counsel for Appellee; Fred M. Vinson, Economic Stabilization Director by Chester Bowles, Price Administrator.

[fol. 673g] SUPREME COURT OF THE UNITED STATES

[Title omitted]

STIPULATION WITH RESPECT TO PRINTING OF RECORD, ETC.

The parties hereto understand that, since the District Court of the United States for the District of New Jersey, under the authority of Section 47a of Title 28 U. S. C. (Jud. Code 210), has by order dated February 9, 1944, transmitted to the Supreme Court of the United States on appeal, as part of the original record before said District Court, the documents filed with said District Court on December 15, 1943, identified in appellants' praecipe for consolidated transcript of record and in said order as Exhibits P-1 to P-9, inclusive. Intervenor's Exhibits 1 to 4, inclusive, Exhibits for H & M D-1 to D-11, inclusive, and Exhibits for I. C. C. D-1 to D-3, inclusive, said Exhibits are, under the practice of the Supreme Court of the United States, before that Court for all purposes; further, that, under such practice, it is unnecessary for appellants or any other party to designate said Exhibits or any of them for [fol. 673h] printing, either to insure full consideration of said Exhibits by the Supreme Court, or to enable appellants or any other party to print or refer to said Exhibits or any part thereof on brief and argument, as fully as if said

Exhibits were designated for printing in accordance with Rule 13(9) of the Revised Rules of the Supreme Court of the United States.

The parties hereto believe, however, that it will serve the convenience of the Supreme Court of the United States, as well as of the parties, to have certain of said Exhibits designated for printing.

It is accordingly stipulated and agreed that:

(1) Appellants shall designate all of the following exhibits for printing:

Plaintiff's Exhibit P-2
" " P-3
" " P-4
" " P-5
" " P-6
" " P-7
" " P-8
Intervenor's Exhibit 1 (Including Exhibit C attached thereto)
" " 2
" " 3
H & M Exhibit D-1
" " D-2
" " D-3
" " D-4
" " D-6
" " D-7
" " D-11
I. C. C. Exhibit D-1
" " D-2

(2) The following exhibits shall not be printed:

Plaintiff's Exhibit P-1
" " P-9
Intervenor's Exhibit 4
H & M Exhibit D-5
" " D-8
" " D-9
" " D-10
I. C. C. Exhibit D-3

Plaintiff's Exhibit P-1 consists of a complete transcript [fol. 673i] of the proceedings before the Interstate

Commerce Commission pursuant to its order of July 13, 1942, reopening on petition of Hudson & Manhattan Railroad Company the proceeding entitled "Passenger Fares of Hudson & Manhattan Railroad Company, Investigation and Suspension Docket No. 4394," and comprises, in addition to the transcript of the stenographic notes of the hearings held before said Commission, various exhibits filed at said hearings. For purposes of convenient identification, there is annexed hereto as Schedule A a complete list of the exhibits and other documents comprised in said Exhibit P-1.

(3) Any party hereto may, on brief and argument, print or refer to any or all of the Exhibits designated in paragraph 2 hereof (including the various exhibits compriesd in Exhibit P-1), or any part of such Exhibits, as fully and with the same force and effect as if such Exhibits had been designated for printing under Rule 13(9) of the Revised Rules of the Supreme Court of the United States.

(4) Those Exhibits which, in accordance with this stipulation, are not designated for printing, shall, so far as the Supreme Court of the United States and the parties to these proceedings are concerned, be deemed before the Court for all purposes, as fully as if such Exhibits had been designated for printing and had been actually printed in accordance with Rule 13(9) of the Rexised Rules of the Supreme Court of the United States.

(5) Appellants shall also designate for printing (a) their Statement of Points on Which Appellants Intend to Rely and Designation of Parts of Record to be Printed, dated March 17, 1944, and (b) this Stipulation with Respect to Printing of Record, etc.

[fol. 673j] (6) The undersigned appellees hereby consent to a hearing on the parts of the record designated by the appellants in their Statement of Points on Which Appellants Intend to Rely and Designation of Parts of Record to be Printed, dated March 17, 1944, and hereby waive any right which they might have, pursuant to Rule 13(9) of the Revised Rules of the Supreme Court of the United States, to designate for printing any additional parts of the Record.

It is further stipulated and agreed that any party hereto may, on brief and argument, print or refer to any part of

the transcript of record before the Supreme Court of the United States filed December 13, 1940, in the action entitled "Hudson & Manhattan Railroad Company, Appellant, v. The United States of America, Interstate Commerce Commission and City of Jersey City, Appellees, October Term 1940, No. 628," on appeal from the District Court of the United States for the District of New Jersey, as fully and with the same force and effect as if such transcript of record were part of the transcript of record before the Supreme Court of the United States on the present appeals herein.

Dated March 17, 1944.

Daniel W. Knowlton, Chief Counsel. E. M. Reidy, Assistant Chief Counsel for Appellant Interstate Commerce Commission. John F. Finerty, Counsel for Appellant Hudson & Manhattan Railroad [fol. 673k] Company. Charles Rooney and Chas. G. Hershenstein, Counsel for Appellee City of Jersey City. Richard H. Field, Acting General Counsel. David F. Cauers, Assistant General Counsel. Harry R. Booth, Utility Counsel. Counsel for Appellee Fred M. Vinson, Economic Stabilization Director, by Chester Bowles, Price Administrator.

[fol. 673l] SCHEDULE A

List of exhibits and other documents comprised in Plaintiff's Exhibit P-1

(1) Transcript of stenographic notes of hearings held before Interstate Commerce Commission at New York, N. Y., on September 9, 10, 11, 12, 17, 18 and 19, 1942, consisting of pages 1011 to 1928, inclusive, at Washington, D. C. on April 20, 1943, consisting of pages 1929 to 2031, inclusive and at Washington, D. C., on September 28 and 29, 1943, consisting of pages 2032 to 2477, inclusive.

(2) Supplement to Petition of Hudson & Manhattan Railroad Company for reopening of proceedings, for a further hearing and for leave to publish and charge a 10-cent fare between Hudson Terminal, New York, and stations in Jersey City and Hoboken, New Jersey, consisting of the following exhibits, received in evidence at the hearings be-

fore the Interstate Commerce Commission in September, 1942:

Ex. No.	Description
5-R	Statement and Charts Showing Number of Passengers Carried Annually on H. & M. Lines 1919 to 1941, inclusive, Grand Total and By Routes, and Trans-Hudson Passenger Traffic 1925 to 1940, inclusive.
25-R	Cost of Construction of Railroad Properties to December 31, 1941.
26-R	Summary of Bonds Outstanding in Hands of the Public December 31, 1941, Apportioned to Railroad Property and to Hudson Terminal Buildings and Other Real Estate Not Used in Railroad Operations; Annual Interest Thereon; Statements of Income, By Years, for the Period January 1, 1938 to December 31, 1941, inclusive, for— All operations Hudson Terminal Buildings and Other Real Estate Operations Railroad Operations
27-R	Materials and Supplies on Hand December 31, 1941.
28-R	Record of Interest and Dividend Payments from 1938 to 1941, inclusive.
30-R	Local Fares on Hudson & Manhattan R. R. from 1938 to 1941. Fares on Joint Rapid Transit Electric Train Service between New York, N. Y. (H. & M.) and Newark, N. J. (P. R. R.) from 1938 to 1941, inclusive, and Divisions of Such Fares Received by Hudson & Manhattan R. R.

[fol. 673m]

Summary of Passenger Traffic and Revenue for Four Years 1938 to 1941, and Analysis of Each of Such Years.

Ex. No.	Description
36-R	(a) Passengers Carried by Classes of Fares (b) Passenger Statistics—Summary of Passengers Carried by Stations of Origin. (c) Number of Passengers Carried In and Out of New York on the Different Trunk Line Railroads Compared with Total Number of Interstate Passengers Carried on Hudson & Manhattan Railroad. (d) Segregation of Income Applicable to Railroad Operations Between Downtown and Uptown Services, Calendar Year 1941. (g) Cost of Various Forms of Tickets and the Rates Per Ride for Hauls of Five Miles or Less on Trunk Line Railroads Serving New York City. (h) Comparison of Rail and Bus Fares Between Typical Points in New Jersey and Common Territories in New York City.
A	Comparison of Volume of Traffic for the Period January 1, 1942 through June 20, 1942 with the Corresponding Period of the Year 1941.
B	Comparison of Operating Expenses, Taxes and Car-Miles—1937 and 1941.

(3) The following exhibits received in evidence at the hearings before the Interstate Commerce Commission in September, 1942:

4-R	Mileage table showing distances between stations and points on Hudson & Manhattan R. R. and, also, between such stations and Harrison and Newark on the Pennsylvania Railroad.
5-R Am Sheet 2	Chart showing grand total of passengers carried by years, 1920 to 1941, average number of passengers for years 1924-1937, inclusive, 1919-1941, inclusive, 1933-1941, inclusive, and 1937-1941, inclusive.
5-R Supp 1	Trans-Hudson passenger traffic and railroad passengers using railroad tunnels, 1941.

Ex. No.	Description
5-R Supp 2	Trans-Hudson vehicular traffic for 8 months of 1941 and 1942.

[fol. 673n]

5-R Supp 3	Trans-Hudson passenger traffic by bus for 8 months of 1941 and 1942.
26-R Supp	Summary of bonds outstanding in hands of the public, August 31, 1942, apportioned to railroad property and to Hudson Terminal Buildings and other real estate not used in railroad operations; annual interest thereon; and Statements of income for the period January 1 to August 31, 1942, inclusive, for All operations Hudson Terminal Buildings and other real estate operations Railroad Operations
30-R Supp Sh. 2	Fares on New York-Newark joint rapid transit lines, January 1 to August 1, 1942, and divisions of fares received by Hudson & Manhattan R. R.
30-R Supp Sh. 3	Summary of passenger traffic and revenues for 8 months January 1 to August 31, 1942.
33-R	Average headway of trains, Sunday schedule, Winter Period, 1942-1943. Average headway of trains, Weekday schedule, Monday to Friday, Winter Period, 1942-1943. Average headway of trains, Saturday schedule, Winter Period, 1942-1943.
34-R	Tabulation showing maximum traffic periods and service, August 19, 1942.
37-R	Tabulation of Hudson & Manhattan R. R. Maximum Traffic Periods & Service, Downtown Line, August 19, 1942.
38-R	Tabulation of Hudson & Manhattan R. R. Maximum Traffic Periods & Service, Uptown Line, August 19, 1942.

Ex. No.	Description
86-R	Tabulation of Hudson & Manhattan R. R. Passenger Traffic & Car Service, Downtown Line and Uptown Line during 24 hours, August 19, 1942.
A Supp	Comparison of volume of traffic for period June 1 through August 31, 1942, with corresponding period of the year 1941.
C	Tabulation showing number of Military and Naval passengers using Hudson & Manhattan R. R., also number of civilians who accompanied such Military and Naval passengers, August 2 to August 9, 1942, inclusive.

[fol. 673o]

D	Copy of letter sent to Interstate Commerce Commission by Mr. W. F. Brown, as Chairman of the Board of Hudson & Manhattan, dated July 15, 1938, re 8¢ fare.
E	Copy of Hudson & Manhattan Local Passenger Tariff No. 44.
F	Copies of correspondence between John F. Finerty and J. Carter Fort of the Association of American Railroads, re inclusion of Hudson & Manhattan in Ex Parte 148 proceedings.
G	Tabulation showing rate of return from railroad operations at specified traffic levels based on 8 cent downtown fare; Tabulation showing rate of return from railroad operations at specified traffic levels based on a downtown fare of 10¢ and assuming an initial loss of 12% in traffic affected by fare increase.
H	Statement showing one-way, round-trip and commutation fares between Pennsylvania Railroad stations at Newark and Harrison, New Jersey and Hudson & Manhattan stations in New York and New Jersey from commencement of joint service in 1911 to August 31, 1942; divisions of such fares received by Hudson & Manhattan and

Ex. No.	Description
H	passenger fares per mile in effect on steam railroads in the eastern district of the United States during the same period.
I	Form used by Hudson & Manhattan Conductors and Collectors for reporting total number of revenue passengers using joint service trains between Harrison and Journal Square.
J	Form used for summarizing information reported on Exhibit "I".
K-Day L-Night	Forms used for reporting count of passengers who get off east-bound joint service trains at Journal Square.
M	Form used for recording count of revenue passengers and pass passengers who board westbound joint service trains at Journal Square.
N	Exit coupon.
O	Form on which exchange tickets are recorded.
O-1	Exchange ticket.
P	Form used for daily report of Punch Registrations.

[fol. 673p]

Q	Copy of bill rendered by Hudson & Manhattan to Pennsylvania Railroad for divisions.
R	Tabulation showing trans-Hudson passengers handled by railroad ferries at New York segregated by railroad and local passengers, 1935 to 1941.
S	Analysis and restatement of Protestants' Exhibit F-105—Gains and Losses Peak and Non-Peak Hours Traffic 1938 and 1942, based on typical day in February 1938 and August 19, 1942.
T	Letter, dated September 28, 1942, from Mr. J. E. Buck, General Counsel of Hudson & Manhattan Railroad Company, to Examiner R. N. Trezise of the Interstate Commerce Commission, setting

Ex. No.	Description
T	forth data respecting the time when Hudson & Manhattan Railroad Company acquired the $1,701,500 par value of its First Lien & Refunding Mortgage 5% Bonds, as testified to by Mr. Walter F. Brown.
U	Analysis of Passenger Traffic of Hudson & Manhattan Railroad Company for the eight months ended August 31, 1937, and 1942.
F-87	Statement showing comparison of Hudson & Manhattan passengers carried with passenger car miles, 1927 and 1937 to 1941.
F-88	Statement showing Hudson & Manhattan trend in passenger traffic 1937 to 1942.
F-89	Statement showing comparison of Hudson & Manhattan loss or gain in local traffic originated in New Jersey 1937—1941.
F-90	Statement showing population of Hudson County, New Jersey, by cities, year 1940.
F-91	Statement showing cross-Hudson automobile traffic 1938 to 1941, inclusive.
F-92	Statement of New Jersey Bus Transportation Companies, the areas served by them and their local fare to the Central Railroad of New Jersey ferry.
F-93	Chart showing comparison of distances between Hudson & Manhattan stations in Jersey City and in New York City, with passengers originated in 1941.
F-94	Statement of New Jersey Bus Transportation Companies, the areas they serve, and their local fares to the Erie ferry.
F-95	Statement of New Jersey Bus Transportation Companies, the areas they serve, and their local fares to the Pennsylvania Railroad ferry.

[fol. 673q]

Ex. No.	Description
F-96	Statement of New Jersey Street Railway and Bus Transportation facilities, the area served by them and their local fares to the Delaware, Lackawanna & Western ferry.
F-97	Public Service New-Departure Transit Guide, Fare — Time — Route Numbers, in Hudson County from Journal Square.
F-98	Comparison of present ferry fares applicable in New York harbor.
F-99	Comparison of Hudson & Manhattan Downtown local traffic with railroad ferry local passenger traffic (other than ex-railroad), 1937—1941.
F-100	Comparison of Hudson & Manhattan Downtown Local traffic with railroad passengers carried by ferries, 1937—1941.
F-101	Jersey Central Railroad Time Table, New York —Newark and Elizabeth, Roselle—Roselle Park, etc.
F-102	Pennsylvania Railroad commutation fares for 60-trip Monthly, 12-trip Weekly, 50-trip Family tickets between New Brunswick to Newark, New Jersey, and New York, N. Y.. One-way coach fares between New York and same points in New Jersey.
F-103	Comparison of Gain or Loss in passengers to, from or within New Jersey, 1937 versus 1939, by classes of traffic, with gain or loss of cross-Hudson traffic of Erie, Delaware, Lackawanna & Western, Pennsylvania Railroad and Central Railroad of New Jersey.
F-104	Statement showing Hudson & Manhattan loss in local passengers originated in New Jersey 1937 versus 1939 by stations of origin.
F-105	Analysis of Hudson & Manhattan traffic and revenue for a typical day in 1938 and 1942— Gains or loss in interline and local traffic; Gains or loss in peak and non-peak hours;

Ex. No.	Description
F-105	Gains or loss in revenue on local downtown traffic during peak and non-peak hours.
F-106	Comparison of Hudson & Manhattan revenue gains from 8¢ fare with cost to downtown passengers—using calendar year 1937 as base.
F-107	Comparison of Hudson & Manhattan railway operating expenses and taxes—1937 to 1941.

[fol. 673r]

F-108	Comparison of additional passenger revenue (at 2¢ per passenger) paid by downtown passengers with increases in operating expenses and taxes incurred by Hudson & Manhattan for the calendar years 1938 to 1941. The year 1937 is used as a base.
F-109	Comparison of increases in operating expenses and taxes incurred by Hudson & Manhattan for the calendar years 1938 to 1941 with additional revenue, if any, received from interline traffic. 1937 used as base.
F-110	Estimate of revenue gains to Hudson & Manhattan and cost to passengers on proposed 10¢ fare predicated on additional diversion of downtown passenger traffic as result of such increase, using 1941 as base.
F-111	Hudson & Manhattan revenue, traffic and transportation statistics—downtown and uptown.
F-112	Comparison of downtown fares and Hudson & Manhattan proportion of joint fares, 1919 to 1942.
F-113	Comparison of revenues received by Hudson & Manhattan for transporting passengers ex trunk line railroads.
F-114	Comparison of revenues, per mile, if ex-Pennsylvania earnings of Hudson & Manhattan were increased 2¢, with earnings received by Hudson & Manhattan on ex-Erie and ex-Delaware, Lackawanna & Western passenger traffic.

Ex. No.	Description
F-115	Comparison of joint fare and division thereof accruing to Hudson & Manhattan from 1919 to 1942, also amount by which Hudson & Manhattan proportion of joint fare was more or less than local fare.
F-116	Comparison of revenue effect of increased fare upon joint traffic of the Hudson & Manhattan and the Pennsylvania Railroad between Newark and New York.
F-117	Hudson & Manhattan statement of net income from all operations, for the years ending December 31, 1941, and June 30, 1942.
F-118	Hudson & Manhattan income account for the years ending June 30, 1941, December 31, 1941, and June 30, 1942.
F-119	Comparative income statement of Hudson & Manhattan for the period June, 1938, to December 31, 1941 (in cents per revenue car mile).

[fol. 673s]

F-120	Relationship of revenue requirements for interest by the Hudson & Manhattan with its operating expenses and taxes, in cents per car mile, calendar year 1940.
F-121	Distribution of gross revenue of 80.96 cents per car mile, Hudson & Manhattan, for calendar year 1940.
F-122	Comparison of gross income and interest requirements of rapid transit lines, in cents per revenue car mile for year ending December 31, 1940.
F-123	Comparison of passenger revenue per mile and operating ratio of Hudson & Manhattan with rapid transit surface lines in New York City for the year 1940.
F-124	Comparison of operating revenue and operating ratio of Hudson & Manhattan with rapid transit

Ex. No.	Description
F-124	surface lines in New York (includes interstate operations) per car or bus miles for year 1940.
F-125	Comparison of operating revenue per car mile and operating ratio, Hudson & Manhattan versus rapid transit sub-surface lines in New York City.
F-126	Hudson & Manhattan statements showing total increase in revenue, 1942 over 1941 (by months), under present fares and divisions.
F-127	Hudson & Manhattan statement showing increase in revenue 1942 over 1941 (by months), under present fares, local traffic and an assumed increase of 2¢ in revenue on inter-line traffic.
F-128	1940 to 1942 Hudson & Manhattan passenger traffic by months, also monthly increase, 1942 over 1941.
F-129	Comparison of passenger revenues in United States and by districts, July 1941 and July 1942.
F-130	Erie Railroad Time Table, Main Line, Newark Branch, Bergen County R. R.
F-131	Erie Railroad Time Table, New York and Greenwood Lake Railway, Orange Branch, Caldwell Branch.
F-132	Erie Railroad Time Table, Northern Railroad of New Jersey, showing Times Square Motor coach connection.
F-133	New Jersey & New York R.R. Co., Suburban Time Table.

[fol. 673t]

F-134	Erie Railroad Time Table, New York, Middletown, Port Jervis and Branches.
F-135	Delaware, Lackawanna & Western Suburban Time Table.
F-136	Jersey Central Railroad Time Table, Newark Branch.

Ex. No.	Description
F-137	Map of route of Central Avenue Bus Company in Jersey City and Hoboken, New Jersey.
F-138	Traffic check taken at Central Railroad ferries, foot of Johnston Avenue, Jersey City, New Jersey, Wednesday, September 9, 1942.
F-139	Corporate Names of Central Avenue Bus Co.
F-140	Corporate Names of Crosstown Bus Line.
F-141	Map of New Jersey Railroads.

(4) The following exhibits received in evidence at the hearings before the Interstate Commerce Commission in September, 1943:

F-142	Report for 1937 of Committee on Fare Structures of the American Transit Commission.
F-143	Bill of Complaint of the City of Jersey City against United States of America et al., dated September 7, 1943.
F-144	Order of Court dated September 14, 1943, setting hearing for Tuesday, September 21, 1943, on application of City of Jersey City for preliminary injunction.
F-145	Copy of letter, dated September 20, 1943, from Mr. Finerty to Judge Meaney stating Hudson & Manhattan would do nothing further until further order of Commission with reference to increasing its fares.
F-146	Copy of letter, dated September 21, 1943, from Judge Meaney to Mr. Finerty acknowledging receipt of letter (F-145).
F-147	Statements showing number of interstate local passengers carried by Hudson & Manhattan during year ended December 31, 1942, divided as between uptown and downtown passengers, the revenue therefrom on basis of present fares, the revenue therefrom on basis of proposed fares of 10 cents cash fare or eleven tokens for $1 with

Ex. No.	Description
F-147	10% of passengers paying cash fare and 90% of passengers using tokens, the increase in downtown revenues and decrease in uptown revenues.

[fol. 673u]

F-148	Statement showing number of interstate local passengers carried by Hudson & Manhattan during year ended August 31, 1943, divided as between uptown and downtown passengers, the revenue therefrom on basis of present fares, the revenue therefrom on basis of proposed fares of 10 cents cash fare or eleven tokens for $1 with 10% of passengers paying cash fare and 90% of passengers using tokens, the increase in downtown revenues and decrease in uptown revenues.
F-149	Statement showing number of interstate local passengers carried by Hudson & Manhattan during eight months ended August 31, 1943, divided as between uptown and downtown passengers, the revenue therefrom on basis of present fares, the revenue therefrom on basis of proposed fares of 10 cents cash fare or eleven tokens for $1 with 10% of passengers paying cash fare and 90% of passengers using tokens, the increase in downtown revenues and decrease in uptown revenues.
F-150	Statement showing number of interstate local passengers carried by Hudson & Manhattan during eight months ended August 31, 1943, adjusted to twelve months basis, divided as between uptown and downtown passengers, the revenue therefrom on basis of present fares, the revenue therefrom on basis of proposed fare of 10 cents cash fare or eleven tokens for $1 with 10% of passengers paying cash fare and 90% of passengers using tokens, the increase in downtown revenues and decrease in uptown revenues.
F-151	Statement showing rate of overloading of Hudson & Manhattan coin collection boxes.

Ex. No.	Description
F-152	Photograph taken at Hudson Terminal of double aisle fare collection boxes.
F-153	Photograph taken at Hudson Terminal of double aisle fare collection boxes.
F-154	Statement showing spot check of token use study.

[fol. 673v] [File Endorsement Omitted]

[fol. 674] SUPREME COURT OF THE UKITED STATES, OCTOBER TERM, 1943

No. 767

ORDER NOTING PROBABLE JURISDICTION—April 3, 1944

The statement of jurisdiction in this case having been submitted and considered by the Court, probable jurisdiction is noted.

Endorsed on cover: File No. 48, 259, 48, 260, D. C. U. S., New Jersey, Term No. 767. The Interstate Commerce Commission and Hudson & Manhattan Railroad Company, Appellants, vs. The City of Jersey City, Fred M. Vinson, Stabilization Director by Chester Bowles, Price Administrator. Filed March 7, 1944. Term No. 766 O. T. 1943, 767 O. T. 1943.